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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' DISCUSSES CHINA'S POPULATION STATISTICS

HK270821 Beijing JINGJI YANJIU in Chinese No 12, 20 Dec 82 pp 28-38

[Article by Li Chengrui [2621 2052 3843] of the State Statistics Bureau:
"The Present Condition of China's Population As Seen From the Census
Communique--Also a Discussion of the Accuracy of China's Population Statistics"]

[Text] The PRC State Statistics Bureau issued on 27 October 1982 a "Communique Concerning Principal Statistical Figures of the 1982 National Census." Although the figures released in this "communique" had been summarized by manual work and more detailed materials will not be available until after the electronic computers have completed their sorting and processing work, nevertheless, from this "communique" we can still see the present basic condition of China's population. Naturally, the broad masses of cadres and people of our country who are every day and every minute diligently and steadfastly toiling on the construction of the motherland and eagerly hoping for the early realization of the four modernizations are paying high regard to this "communique." Foreign nationals who are concerned with world affairs and with conditions in our country are also deeply interested in knowing the latest condition of this most populous country in the world. Many people are most concerned about these points: What are the special features of China's population as seen from the census communique? What is the degree of accuracy of this census which was of the largest scale of its kind in history? If it is claimed that it has a high degree of accuracy, then how was this result achieved? The purpose of this article is to give the writer's personal views on these questions based on the principal statistics from this "communique" in combination with certain other relevant materials as well as the owner's own knowledge and comprehension from his participation in the census-taking work. The writer will also attempt to answer certain concrete questions raised by other people. He hopes that his views will be useful for study and reference by these and other people.

I

In his opening address at the 12th party congress, Comrade Deng Xiaoping said: "Our modernization construction must be based on, and start from, China's realities." How large is our population? How is it composed and what is its geographical distribution? These questions relate to the basic facts of our

country and the information in them provides one of the basic starting points for our modernization program. As everybody knows, people constitute the main body and basis of social production activities and are actually the principal part of the political, economic and cultural life of all society. People are producers and also consumers. A country's population may not be the determinant force for social development, but the condition of its changes can facilitate or delay the development of the social productive force. The 12th party congress advocated that, based on the logical premises of continuously improving the economic results, we should strive to achieve the target, by the end of the 20th century, of quadrupling the annual gross value of industrial and agricultural output and making the people fairly well off in material and cultural life. This target is closely related to, and indivisible from, the target of striving to keep the population within the 1.2 billion figure during the same period. As seen from the contents of the "communique," roughly speaking, the present condition of the population in the 29 provinces, cities and autonomous regions in our country embodies in the main the following special features:

1. Quantitatively speaking, the size of the population already exceeds 1 billion and although the rapid speed of the growth rate has been initially checked, further efforts must still be made to further lower it.

According to the "communique," in 1982, the population of the whole country was 1.03188 billion people. Of them, the number of civilians and military personnel in active service in the mainland's 29 provinces, municipalities and autonomous regions was 1.00817 billion people. Compared with the 694.58 million people at zero hour on 1 July 1964, this was an increase of 313.59 million, or an increase of 45.1 percent and an average annual increase of 17.42 million people, or an average annual increase rate of 2.1 percent. This shows that over the past 18 years, the absolute increase in our population was rather large and the increase rate was fairly high.

However, on further examining the speed of increase in the various years, it may be seen that there was a considerable difference between the first 9 years and the second 9 years. According to the yearly population figures, in the first 9 years the total increase was 186.66 million, averaging an annual increase of 20.74 million or an annual increase rate of 2.68 percent, while in the second 9 years, the total increase was 126.93 million people, averaging an annual increase of 14.10 million people, or an annual growth rate of 1.51 percent. That is to say: of the increase of over 300 million people in the span of 18 years, the first 9 years accounted for an increase of nearly 200 million whereas in the second 9 years the increase was only over 100 million. This was principally due to the "leftist" inclined thinking in the first 9 years when no effective measures were taken on planned birth control and, as a result, there was a steep increase in population. This was indeed a grave error in population policy. Fortunately, in the latter 9 years, the guiding thought in population policy was more clearly understood, a series of measures was taken, and, despite interference for a period of time from the "Great Cultural Revolution," the population

Growth rate gradually but rather considerably declined. This was indeed an enormous accomplishment. If the speed of increase in the first 9 years had continued, then at present the population would not have been 1 billion but some 1.1 billion and our days would be much harder than they are now. This shows that under our socialist system, if only the party can effect a unified ideology and make a joint effort with the government and the populace, it will be entirely possible to achieve notable results in population control.

Compared with other countries, although our country's annual population growth rate is much higher than that in developed countries such as 0.17 percent in Britain, 0.73 percent in the United States and 0.8 percent in the Soviet Union, yet it is comparatively lower than that in developing countries such as 1.65 percent in Brazil, 1.63 percent in Argentina, 1.75 percent in Thailand and 1.93 percent in India (all the above were based on 1980 data, with the exception of India which was based on 1981 data). Of course, we can readily understand that since the base figure of our population is rather high, each increase of 1 percent represents an increase of 10 million people. In 1981, our national growth rate was 1.455 percent. Should this growth rate continue without being lowered, then by the end of this century, China's population will be some 1.308 billion. Therefore, from now on, concurrent with further lowering the population's death rate, an important task confronting us is how to vigorously implement planned birth control and bring about a further lowering of the population birth rate. At the same time, an important problem which we must seriously study and solve, is how to effect satisfactory employment arrangements for the labor force and to bring into full play the superior condition of our labor resources.

Concerning the birth and death rates of a population, in the world's economically developed countries, the prevalent type is one with a small birth rate and a small death rate, whereas in the developing countries, some exhibit a large birth rate and a large death rate while others, a large birth rate but a small death rate. Before liberation, our country had a large birth rate and a large death rate, (according to 1936 figures, the birth rate was 38 percent and the death rate was 25 percent). Following the founding of the PRC, as a result of the people's living standard being improved and public health conditions also improving considerably, the death rate greatly declined and the birth rate showed only increases and our population developed into a type with a large birth rate but a small death rate. More recently, as a result of the development of planned birth control, the birth rate has steeply declined while the death rate has also declined somewhat and a transition has thus made to a type with both the birth rate and the death rate being small. We should now strive hard to accelerate the progress of this transition.

2. Looking at the qualitative side of the population, it may be seen that while at present the cultural degree of our people has considerably improved compared with the past, it is still at a rather great distance from meeting the requirements of modernization.

The quality of the population embraces the physical quality (which we shall not discuss here) of the population as well as its quality in scientific and cultural attainment and in labor technique. According to figures from the "communiqué," comparing the people's cultural level in 1982 with 1964, the following changes may be found in the various levels of cultural life per every 100,000 people: an increase from 416 to 599 people with college cultural level; an increase from 1,319 to 6,622 people with senior high school cultural level; an increase from 4,680 to 17,758 people with junior high school cultural level; and an increase from 28,330 to 35,377 people with primary school cultural level. As for the percentages represented by the increases, for every 100,000 people: an increase of 25 percent was made in those with primary school cultural level; an increase of 44 percent was made in those with college cultural level; an increase of 280 percent was made in those with junior high school cultural level; and an increase of 400 percent was made in those with senior high school cultural level. This shows that within this 18-year period, high school education has rapidly developed.

The 12th party congress advocated that concurrent with the establishment of material civilization, energetic efforts must be made to establish spiritual civilization. In contrast with this demand, the cultural degree of our people is still relatively low. At present, in our country, the task of making primary school education universal among the population has not yet been realized. The structure of our high school education is still not rational. Although quantitatively speaking, growth of ordinary high schools has been rapid, yet, due to the interference of the "Great Cultural Revolution," the level of actual knowledge of the students is relatively low. And development of higher education is even more unsuited to objective needs. A rather large amount of work must still be done in order to complete what the 12th party congress designated as the task of basically realizing in various forms universal primary school education as well as other tasks.

What is worthy of note is that according to the census results, although the proportion of the number of illiterate and semi-illiterate people in the total population of our country dropped from 38.1 percent in 1964 to 23.5 percent in 1982, the aggregate number of these two categories of people was still some 235.82 million, making up nearly 25 percent of the total population. This is certainly a rather high percentage. While this percentage is lower than Egypt's 27.6 percent and India's 35.7 percent, it is higher than Indonesia's 20.1 percent and Brazil's 14.9 percent (all 1979 figures. Due to differences in the accepted standard of illiteracy in different countries and the different age composition in the populations of various countries, these figures may not be exactly comparable, but they can still reveal the general trend). From now on, what effective measures to take to accelerate this work of removing illiteracy should be taken as an urgent task before us.

As for age composition, the proportion of young people appears to have declined sharply while that of the elderly people seems to have shown a slight increase. All in all, the population of our country is on the transitional stage from a growing pattern to a more or less stabilized pattern.

The age composition of a population is an important factor affecting changes in the speed of the population's reproduction and constitutes basic reference materials necessary for the country's administration and control (such as for

determining the number of electors and voters and the number of people available for military services). It also provides important material based on which the state can formulate its economic and social policies (such as measures for education, employment and so forth). According to the procedural regulations of the census, all figures concerning age composition were to be sorted and processed by the electronic computers and the localities were not required to do any manual or hand work to process or sum up age figures. As a result, the current "communique" gave no information on the age composition. However, a small number of provinces have voluntarily processed and summarized their age composition materials by manual work. In view of the large number of people who are extremely concerned with the status of the age composition and are eager to know its general trend, we present below, for reference purposes, a tabulation on age composition of some 166.31 million people manually completed by the three provinces of Hebei, Henan and Zhejiang in the current census taking work, with comparative figures from the first census (1953) and the second census (1964):

Census	Age groups (years of age)	29 provinces, cities, and autonomous regions	Average for 13 provinces	Hebei	Henan	Zhejiang
(percentages)						
First (1953)	0-14	36.28	35.70	35.98	35.71	35.24
	15-64	59.31	59.01	57.78	59.16	60.67
	65 and over	4.41	5.29	6.24	[Figures indistinct]	
Second (1964)	0-14	40.41	40.53	40.96	39.75	41.23
	15-64	55.72	55.00	54.25	55.94	54.55
	65 and over	3.87	4.47	4.79	4.31	4.22
Third (1982)	0-14	(pending computer- ization results)	32.28	30.78	34.90	29.30
	15-64		62.23	63.55	59.88	64.95
	65 and over		5.49	5.67	5.22	5.75

From the above tabulation, if we compare the percentages of the different age groups for the country as a whole in the 1953 census and the 1964 census with those for the three provinces, the two sets of figures are found to be extremely close to each other and the figures for the three provinces also show little difference from each other. Hence, it may be assumed that the changes in these three provinces in 1982 in the percentage age composition of the population represent to a rather large extent the trend of changes in the country as a whole. If we look at the figures for the age group 0-14, it is found that in 1953 this group made up 36.28 percent of the whole population and the population can be said to be close to the "growing" pattern. In 1964, the percentage was 40.41 and the population can be said to have belonged to the "growing" pattern.

In 1982, the proportion is probably around 32.3 percent, and the population can be said to be in between a "growing" pattern and a "stabilized" pattern. As for the question of the aging of the population, at present the number of people of 65 and above probably makes up about 5.5 percent of the total, showing a slight increase over 1953 and 1964. It may thus be predicted that following the reduction in the birth rate and the rise in average life expectancy, from now on the proportion of elderly people will steadily increase. More attention should thus be given to welfare work, health protection and other matters for the elderly people. However, on the whole, the present proportion of elderly people in our country is still relatively low.

In comparison with the economically developed countries, our country has a big proportion of young people but a small proportion of elderly people, whereas compared with the developing countries, our country has a smaller proportion of young people but a larger proportion of elderly people. Consider the following tabulation (1980 data):

(percentage composition)

Age group	United States	Soviet Union	Japan	India	Indonesia	Egypt	Mexico
0-14	22.9	24.3	23.4	40.9	39.2	39.7	44.6
15-64	66.4	65.7	67.7	56.9	57.5	56.8	51.9
65 and over	10.7	10	8.9	3.0	3.3	3.5	3.5

As for the proportion between males and females in our population, according to figures from the "communique," in 1982, males comprised 51.5 percent while females comprised 48.5 percent. The ratio between the two sexes (taking females as base 100 and then finding the index for males) is 106.3. If we turn to the second census figures, we find that in 1964, the number of males was 51.3 percent, females, 48.7 percent, and the ratio was 105.3. According to the first census figures, in 1953, the number of males comprised 51.82 percent; females, 48.18 percent and the ratio was 107.5. Generally speaking, in our country at present the number of males and females in the population is basically balanced. Our prolonged feudal society in the past has left over the heritage of preference for male children to female children and this naturally has produced ill effects on balancing the ration between the sexes. We should, by means of persuasion and education, exert the utmost efforts to banish ideas of this kind.

Turning to conditions in other countries in the world, many of the economically developed countries show a slight preponderance of females over males whereas among the developing countries as a rule the number of males slightly exceeds that of females (our country belongs to the latter group). Consider the following table:

Country	United States	Japan	West Germany	India	Turkey	Bengal	Philippines	Thailand
Ratio between the sexes (females: male 100)	93	94.1	91.1	107.3	106.2	106.4	100.0	100.0
Year of data	1974	1980	1979	1977	1976	1978	1980	1980

As for the distribution of the population between the cities and the countryside, it is found that the ratio is roughly 20 to 80. The proportion of the urban population is thus not a high one. This shows that the level of our country's economic development is not high but it also shows that the policy of our country to keep the urban population under strict control has reaped certain results.

According to figures furnished in the "communiqué," in the mainland's 29 provinces, municipalities and autonomous regions, the total number of people living in cities (not including counties directly subordinate to cities) and towns was 206.59 million. This was 20.6 percent of the total population, and, compared with 1964 when the proportion was 18.4 percent of the total population, this was an increase of 2.2 percent but compared with the 13.26 percent in 1953, the increase was 7.34 percent. Nevertheless, it should still be said that the increase was not a rapid one.

According to State Council regulations, the conditions governing the establishment of cities and towns are as follows: towns may be established in localities where the population is over 3,000 people of whom over 70 percent constitutes non-agricultural people or in localities where the population is over 2,500 but below 3,000 of whom over 85 percent are nonagricultural people. At present, there are 2,664 towns in the country. The State Council further provides that in places where the population is over 100,000 people, or where the number of people is below 100,000 but where the seat of the provincial capital is located, cities may be established. There are now 236 cities in the country.

Concerning population in cities and towns, there are two different calculation standards in census-taking in our country. One is the "gross population of cities and towns." This refers to the entire population living within the administrative district of cities (not including counties directly subordinate to municipalities) and towns, including a portion of people engaged in agriculture but not partaking in the state's commercial grain. The other is "net population of cities and towns" which comprises figures of the gross population of cities and towns after deducting the portion of the population who do not take commercial grain supplied by the state. In all three census takings in our country, the former standard of measurement was used.

From the conditions in the majority of countries in the world, it can be seen that, following the development of industrialization, the population in cities and towns has been rapidly increasing. In 1950, the world's urban population was some 714 million people, 24.2 percent of the world's population. In this way, the ratio between the urban and rural population was roughly 1 to 7. By 1980, the population in cities and towns had increased to 1.7 billion and accounted for 39 percent of the total population. In Europe, North America and Oceania, the urban population was about 70 percent of the total population, whereas in Latin America, the ratio was 61 percent, in Africa, 26 percent, and in Asia, 11 percent. In many countries, large numbers of surplus labor power from the countryside moved into the cities and towns. As a result, the over-concentration of people in urban areas has seriously aggravated problems in the political, economic and social sectors, and the "urbanization of population" has become a serious problem confronting many countries.

At present, the ratio between the urban and rural population in our country is still 1 to 7. This situation is intimately related to the low level of development in our country. At the same time, it is indivisible from our current measures for strictly keeping the urban population under control and restricting the migration of people from the countryside into the cities, particularly the measures of developing locally in the rural areas diversified operations and small industries. In 1981, the output value of sideline trades (including the sidelines operated by the production brigades) in the countryside amounted to 19.5 billion yuan, an increase of 740 percent over 1963. During the same period, the gross value of the output of products of commune-run industrial enterprises in the countryside amounted to 31 billion yuan, an increase of 1,000 percent over 1961. In this way, employment locally of the countryside's surplus labor power was facilitated, the flow of rural population to cities and towns was regarded, and, to a certain extent, the series of problems, such as those relating to commodity supplies, housing, communications and environment confronting the cities and towns were considerably alleviated. From now on, we should still continue to carry out, in an even better manner, this type of policies.

Looking at the geographical distribution of the population, it is found that the extent of the increase in population density in the interior of the country has been higher than that along the coastal areas.

According to data revealed in the "Communique," in 1982 in our country the population density per square kilometer was 107 people, an increase of 11 people compared with the 74 people in 1964. Population density in our country tends to be high in the coastal areas and low in the interior. This was due to the distribution in natural conditions but, aside from that, it also reflected the unbalanced state of economic development in the various localities of the country. However, over the past 18 years, a change has been made in these conditions. In the 11 provinces, cities and autonomous regions along the coast, the population density has increased from 232.7 people per square kilometer in 1964 to 320.6 people at present, an increase of 87.9 people per square kilometer, or 37.8 percent. In the 18 provinces, cities and autonomous regions in the interior, the population density increased from 47.1 people per square kilometer in 1964 to 71.5 people at present, an increase of 24.4 people per square kilometer or 50.9 percent. Of the latter, in the scantily populated provinces

and regions of Xizang, Xinjiang, Gansu, Ningxia and Nei Monggol, the increase was 11.8 people per square kilometer, or an increase of 63.9 percent.

The chief causes leading to the above-mentioned changes can be stated as follows: Beginning from 1965, economic construction in the interior provinces was accelerated according to a pre-laid plan, particularly the building of heavy industries in strategic places in the rear and construction of new railway lines (such as the Sichuan-Guizhou railway, Guizhou-Kunming railway, Chengdu-Kunming railway, Jiao-zhi railway, Hunan-Guizhou railway, Zhicheng-Liuzhou railway, Xiangyang-Zhongqing railway, Yangpingguan-Ankang railway, and so on). In addition, a number of factories and educational institutions of higher learning and specialized colleges were removed to inland provinces and a portion of the people along the coastal areas followed their removal and changed their place of abode to the interior. Also, some of the peasants located in densely populated areas along the seacoast moved, of their own accord, to the vast but scantily populated interior places to continue their pursuits. In the meantime, the population growth rate in coastal areas continued to be lower than that in the interior. This was also one of the causes of the above changes.

Considering population density in the world as a whole, China is still one of the countries with a comparatively high population density. Its population density is higher than the world's average by about 33 people per square kilometer. It is higher than that of the Soviet Union by 12 people, Brazil by 14 people and the United States by 24 people. But it is lower than Japan by 316 people and India by 223 people (data for foreign countries are for 1980).

6. As for the race or nationalities, it is found that China's minority races or nationalities have proportionately increased.

According to figures shown in the "communique," in 1982, there were in the 29 provinces, municipalities and autonomous regions 936.7 million people of the Han race, comprising 93.2 percent of the country's total population, and there were 67.23 million people of the minority races, making up 6.7 percent of the total population. In contrast, in 1964, the proportion of Han people was 94.2 percent and that of people of the minority races, 5.8 percent.

Over the past 18 years, the Han population has increased by 285.41 million people, an increase of 43.8 percent whereas that of the minority races increased by 27.31 million people, or 68.4 percent. This was mainly due to the correct racial policy adopted by the party and the government. Politically, regional autonomy of the minority nationalities has been enforced, and 5 autonomous regions, 30 autonomous zhous and 72 autonomous counties and banners have been established. Between 1966 and 1981, the state paid to the minority nationality areas (referring to the above-mentioned autonomous regions, zhous, counties and banners) capital construction investment funds amounting to 51.7 billion yuan. As a result of the state's massive support and the diligence and toil of the minority races, in 1981, the gross value of industrial and agricultural output of the minority nationality areas amounted to 41.8 billion yuan, an increase of 130 percent over 1965. In 1981, there were 10,735 hospitals in the minority

nationality areas, an increase of 71 percent over 1965, and there were 247,000 beds in these hospitals, which was an increase of 180 percent over 1965. This has effectively prevented, cured and controlled the frequently occurring diseases and local diseases of the regions. At the same time, the state has been rather liberal with regard to planned birth control in the minority areas. All this has contributed to the increase in the population of the minority races.

The minority nationality areas have plentiful natural resources. Their total land area comprises 62.5 percent of the national total; the area of grasslands in 89.6 percent of the total; forest areas 37.8 percent of the total; the forest and timber reserves 46 percent of the total; and water conservancy resources 52.3 percent of the total. One of the important lessons in our four modernizations is how to make full use of the daily increasing labor power of the minority nationalities, how to develop in a planned and systematic manner their natural resources and how to develop the economy and culture of the areas.

Having now examined the condition of the major phases of our country's population, let us turn next to an examination of the relations between population changes and economic changes over the past 18 years.

During the period of 18 years since 1964, the national economy of our country has still recorded a definite degree of growth and development, despite the interferences of the 10 years' internal disorder. During this period, the annual growth rates of the major economic targets were: national income, 7.4 percent; gross value of industrial and agricultural output, 9.3 percent; and grain production, 3.7 percent. Since during the same period the annual population growth rate was 2.1 percent, the average per capita growth rate of the above items has been considerably lowered: average per capita growth rate of national income was 5.2 percent, that of gross value of industrial and agricultural output was 7.1 percent and that of grain production was 1.5 percent. Moreover, it should be noted that in 1964 the national economy had just passed the peak of difficulties and had not yet made a turn for the better in an overall manner. Hence, using 1964 as the base period for computing the economic growth rate would naturally inflate the results. But, if we take 1966 as base when relatively speaking the national economy has already made a turn for the better in an overall manner, then during the 15-year period since 1966 the annual growth rates of national income, gross value of industrial and agricultural output, grain production and population were respectively 5.6 percent, 7.6 percent, 2.8 percent and 2 percent and the average per capita growth rates of national income, gross value of industrial and agricultural output and grain production were respectively 3.6 percent, 5.5 percent and 0.8 percent.

A further analysis of the yearly conditions since 1964 shows that the various periods differed vastly from each other. In general, the two ends of the period did fairly well while the middle portion fared rather badly: conditions were relatively good during the 3 years before the "Great Cultural Revolution" and the 5 years after the smashing of the Jiang Qing counterrevolutionary gang while conditions during the 10 years of the "Great Cultural Revolution" were comparatively bad. What was most painful was that in 1967 and 1968 national

income declined by 7.2 percent and 6.5 percent respectively compared with the preceding year, whereas the population, also compared with the preceding year, grew respectively by 2.5 percent and 2.8 percent. This abnormal condition brought about seriously adverse results.

The population increase of over 300 million people over the 18 years has exerted a rather great restraint on the development of the national economy of our country. Calculated on the basis of the average consumption level at the time, during the 18-year period the materials for consumption required by the increased portion of the population took up some 30 percent of the increased volume of the means of consumption. If the population growth had been lowered to 1 percent, then this proportion would have been lowered to 14.8 percent. Again, take grain for example during the 18-year period, the average annual increase in grain output was 17.2 billion jin. On the basis of a per capita annual grain consumption of 520 jin, the grain consumption of the increased portion of the population every year comprised 52.7 percent of the annual increased portion of grain production. If the population growth rate had been reduced to 1 percent, then this proportion would have been reduced to 25.1 percent. Thus, due to the rather high population growth rate, it has been difficult to find more material and financial power or resources for use on capital construction and on improving the people's standard of living.

In recollecting the population increase and economic development over the past 18 years, the writer felt that he should point out the two sides of things: on the one hand, the prolonged effect of "leftist" inclined ideology, and particularly the serious interference of the 10 years of internal disorder, slackened the growth of the national economy and brought about serious maladjustments on various sides. At the same time, they caused the population to increase by nearly 50 percent and actually to break the 1 billion limit. Because of all this, today, we have been compelled to undertake an overall readjustment and reform of the national economy and the speed of our construction has to be definitely restricted. Moreover, we cannot but tightly grasp planned birth control and advocate the so-called "one-child" family. In short, we should fully comprehend all these actual existing difficult conditions which we have inherited. On the other hand, facts have shown that under the superior socialist system, if only we have a correct guiding ideology, it will be entirely possible to achieve accomplishments in economic development and in the execution of the population policy. In recent years, the notable results achieved in planned birth control and in the readjustment and development of the national economy both before the "Great Cultural Revolution" and more recently have eminently proved this point. We must fully understand these advantageous conditions and, on that basis, strengthen our firm determination to overcome the difficulties and to continuously press forward.

Comrade Hu Yaobang, in his report to the 12th party congress, pointed out: "In the economic and social development of our country, the population problem has been from beginning to end an extremely important problem. Implementation of planned birth control is the basic national policy of our country. We must strive hard to control our country's population to [word indistinct] 1.2 billion by the end of this century. In this way, since on 1 July 1982 the population in the 29 provinces, cities and autonomous regions in the interior of our country was 1.00817 billion including military personnel in active service, by the end

of this century, the increase in our population must be controlled to within 191.82 million people. On average, each year the increase can only be 10.37 million people. This will require the average annual growth rate to be marked down to within 0.95 percent. This is an enormously difficult task. However, if the party and people of the whole country can firmly carry out the principle and policy formulated at the 12th party congress, treat planned birth control as a basic national policy, and continue to tightly grasp and perform well, and meticulously, the ideological and educational work and other relevant tasks, then the population growth rate can be further lowered and the targets of restricting the population and improving its quality can be realized, and coordinated development between material production and population reproduction can also be gradually achieved.

II

In the above, we have made a brief analysis of the condition of our country's population on the basis of the figures published in the "communique" and in combination with population figures from recent yearly statistics. This being the case, what is the degree of accuracy of these figures? If this point is not clarified, then the above analysis will lack reliability. The complex nature of the problem is as follows: In the past, some comrades, when touching on our country's population figures, did not bother to refer to statistics compiled at the time but rather cited figures from their own estimation. As a result, errors were plenty and the figures were sometimes conflicting. This has given people the impression that the Chinese Government had no knowledge of even the general figures of the population and that therefore the exact population of this most populous country in the world appeared to have been a "myth." Prior to the disclosure of the results of this census, some people estimated China's population to have already reached 1.1 billion, or even 1.2 billion. After the disclosure made in the "communique," the great majority of people considered the "myth" to have been clarified and that China's population statistics were sufficiently clear. This was an important accomplishment of the current census. Nevertheless, certain people have still entertained doubt about the results. Concerning these doubts, the writer wishes to give a few explanations and express his views as follows:

1. Why we claim that the recorded figures of the third census are correct and reliable.

The "communique" of the State Statistics Bureau pointed out: Concerning the census, "postcensus sampling and examination work done has verified that the census records had met the demands for high quality work." The "communique" further revealed that following completion of the census posting and checking work in the 29 provinces, cities and autonomous regions, and in accordance with the provisions under the "detailed regulations covering quality sampling and checking of census registrations and records," quality sampling work was done and the following results were achieved:

Concerning the population figures, errors due to double or over declarations were 0.71 per thousand and due to non or underdeclarations were 0.56 per thousand. Offsetting the two against each other, the net error was 0.15 per thousand. Concerning registration of the sexes, the error rate was 0.03 per thousand; concerning age registration, the error rate was 6.15 per thousand; concerning the 1981 population birth figures, the nondeclaration rate was 1.83 per thousand; and concerning the 1981 figures of death, the nondeclaration rate was 4.4 per thousand.

Such low incidences of error as mentioned above are seldom found among countries of the world. Take, for example, the rate of error in population figures of various countries: Pakistan's 1972 census had an error rate (net due to nondeclaration) of 63 per thousand; Malaysia's 1970 census had an error rate (net due to nondeclarations) of 40 per thousand; the 1970 census of the United States had an error rate of 25 per thousand; India's error rate was 17 per thousand; Japan's 1980 census had an error rate of 9 per thousand for urban areas and 5 per thousand for rural areas; in the Soviet Union's 1970 census, the error rate discovered after double checking was 2.5 per thousand; and the error rate in Yugoslavia's 1953 census was 0.14 per thousand.

The outstanding quality of our country's third census was not achieved all at once. Rather, it was the final result of over 2 years of joint efforts made by cadres at various levels and by the broad masses of census takers and people after going through several big and important steps in preparation. First, starting from early 1981 to March 1982, efforts were made on a nationwide basis to readjust and rectify household and residence records. This may indeed be described as preliminary census taking. During this period, a massive force of some 5.7 million people, comprising census workers, statistical personnel and other basic level cadres, was mobilized for the purpose. These people proceeded in groups and at different periods to the towns and countryside throughout the country to check and rectify the household and residence records. They visited each and every household and, as a result, discovered, and rectified, errors due to double or overregistration of 6.1 per thousand and missing or underregistration of 5.4 per thousand. Second, prior to the formal census taking on 1 July 1982, the broad masses of census takers entered the census taking areas to do further investigation and "clarification" work. Their job was to clarify the exact status of the "five categories of people" (people under the five conditions mentioned in article five of the "census regulations") as a basis for the formal census taking. In the course of this work, they discovered, and rectified, many errors. According to information from a portion of the census areas, they discovered, and rectified, errors due to double or overregistration of 3 per thousand and due to under or missing registration of 2.5 per thousand. Third, upon completion of formal census taking, 10 to 20 days were set aside for the purpose of an overall rechecking of the census record cards by household and by individuals. This resulted in the discovery of further errors. According to statistics from a portion of the census areas, the errors discovered and rectified were double or overregistration of 0.1 per thousand and missing or underregistration of 0.2 per thousand. Furthermore, in the rechecking process, aside from rechecking and verifying the counting of persons, other items on each record card such as sex, age, cultural status, employment, profession and so forth, were thoroughly checked and any errors discovered were rectified. This reduced the margin of error in the figures.

This quality sampling work of the current census was carried out in accordance with the "detailed regulations covering quality sampling and checking of census registration records" announced on 3 March 1982 by the census office of the State Council. According to these regulations, census offices in the provinces, municipalities and autonomous regions, employing the statistical methods of grading, random sampling, equidistant sampling and grouping, drew by lot 972 production teams and residents' groups (numbering 187,362 people under the census) to serve as samples. Next, the 3-grade administrative units of province, district and county selected dependable and talented personnel and put them under specialized training to serve as sampling workers. The sampling workers, proceeding to the areas of the drawn production teams and residents' groups made on-the-spot study and went to each household to investigate anew. The figures on the original census records were checked. Any discrepancy found would be confirmed only after having been double checked. According to the regulations, census workers who had already served in the census taking work in these production teams and residents' groups were not allowed to serve as samplers. The entire quality sampling work was carried out under the direct guidance of the national census office and the census offices in the provinces, cities and autonomous regions. The census office of the State Council served as the first trial point for this quality sampling work. Its personnel underwent training in company with the backbone personnel responsible for this quality sampling work from the provinces, cities and autonomous regions. In short, the provinces, cities and autonomous regions rigidly and earnestly carried out the provisions of the regulations governing the sampling work. It may be said that this method of sampling and checking was scientific, accurate and precise and that the results of the sampling were generally reliable.

Here, one point should be specially mentioned. That is: in the majority of countries in the world, errors found in census figures were due, in the great majority of cases, to missing or under registration and seldom to double or over registration. It is different in our country. In China, supplies of grain and cotton cloth are made on per capita basis and no income tax is collected from the individual. People have come to think that declaration of persons can receive material benefits. Hence, double or overregistrations have been more frequent than missing or underregistrations. According to the foregoing sampling results offsetting the two sets of errors against each other produces a net error of 0.15 per thousand, and, even if, as some people suggest, we add together the two sets of errors, the gross error is only 1.27 per thousand. This is still relatively low among the census figures of various countries of the world.

Some people have inquired whether it is true that in this census taking, certain localities just copied outright from the original household and residence registers. They feared that persons not entered in these registers might again be missing from the census cards. The results of the postcensus quality sampling work done as mentioned above have in a general way answered these queries. What should be pointed out here is that while we did make full use of materials in the household and residence registers, we were by no means under the restriction or bondage of these materials. In fact, China is one of the countries in the

world with a household and residence registration system in force for a prolonged period of time. After the founding of the PRC, on the basis of the 1953 census results and in accordance with the needs of the socialist system we have gradually reinforced and improved the household and residence registration system. This system not only provides advantageous conditions for strengthening administrative control, protecting people's rights, maintaining social security and enforcing planned supplies of certain essential articles of daily use but also provides a fairly good basis for compiling the annual population statistics. Hence, in census taking, there is no reason to cast aside materials contained in the household and residence registers. Indeed, we do not need to follow the practices of certain Western countries of resorting to the use of taxation registration figures, or data of automobile ownership, or telephone directories as the basic guidelines in their census taking work. Rather, our use of the household and residence registers as basic guidance for census taking is in conformity with our national conditions. Naturally, we clearly understand that these data may not completely tally with actual conditions. For this reason, besides earnestly undertaking household readjustment work as mentioned above, certain necessary regulations have been formulated in order to make up for any deficiency and to ensure that actual census taking will produce even more accurate results than what can be gathered from the registers. Thus, article five of the "Measures and Methods for the Third National Census" promulgated by the State Council stipulates as follows: "The following persons are required to register in the county or city: 1) persons permanently residing in the county/city and already registered as permanent residents in the county/city; 2) persons who have resided in the county-city for over a year but were registered as residents in another locality; 3) persons who have resided less than a year in the county/city but who have left, for over a year, the original place of registration as permanent residents; 4) at the time of census taking, persons awaiting the status of permanent residents of the county/city; 5) persons originally residing in the county/city who, at the time of census taking, are working or studying abroad and are temporarily without the status of permanent residents." Of the above five categories of persons, except category 1) which corresponds to data in the household and residence registers, data on the other categories are not found in these registers. In particular, Category No 4), namely, "those awaiting determination of their residents' status" are in fact those who did not register their residence. But all these categories must be included in the census figures. Moreover, Article 10 of the "Measures and Methods for the Third National Census" requires the census taker "to follow closely the items listed in the census form, query each household and each person item by item and fill in the information accordingly." This stipulation is specially printed on the census form as a "reminder" to the census taker. In this way, the census takers were prevented from copying outright from the household and residence registers.

According to the results compiled manually from the completed census forms, the statistics of the five categories of persons (not including military personnel in active service and Xixang's population) specified under Article five of the "Census Regulations," were as follows: 1) regularly residing in a locality and registered as permanent residents of the locality, 990,658,313 people; 2) having regularly resided in a locality for over a year but with residence registered in another locality, 6,364,518 people; 3) having resided in a locality less than a year but having left the place of registered residence for over a

year, 210,322 people; 4) residing in a locality but still awaiting status of permanent residence, 4,754,602 people; and 5) originally residing in a locality, currently working or studying abroad, and temporarily without a resident's status, 56,930 people.

Of the above-mentioned five categories of people, the total of categories 2), 3), 4) and 5) was 11,386,372 people, all of whom were not in conformity with records in the registers. In particular, the some 4.75 million people without registration of residents' status were not left out in the census taking but rather were included and entered as category 4) persons in the total population figure. All the above figures show that the current census taking was not just a simple repetition of figures contained in the household and residence registers.

Some people may ask: It has been alleged that in certain localities people are penalized for having more children than the planned birth control target. This being the case, in the census taking did it happen that people would refrain from declaring the real number of their children for fear that they might be penalized? Concerning this point, what we did in the propagation work before the start of census taking was repeatedly to make it clear to the populace that persons who had for whatever reasons over declared or under declared the number of folks in their households would be welcome to tell the truth in the coming census taking and that we would definitely make no further investigation. Due to the extensive propagation and penetrating investigation work done on our part, the worries of populace were removed and in general children who previously had not been reported by their parents for fear of being penalized were all included in the census statistics this time. Early in 1982, statistics compiled from the household registration data of an ordinary nature showed that in 1981, 17.46 million births had been recorded and that therefore the birth-rate was 17.6 per thousand. (At the time, the State Statistics Bureau) judged this figure to be too low and did not include it in the 1981 statistical report.) The results of the census taking this time revealed that in 1981 the actual number of births had been 20.69 million, an increase of 3.23 million births over the previously recorded figure. The birth rate was found to be 20.91 per thousand. It thus appears that the birth rate indicated in this census taking was correct and reliable. According to the results of the post census quality sampling, in this census taking the rate of births not reported was 1.83 per thousand of the total figure of births and that the rate of deaths not reported was 4.4 per thousand of the total figure of deaths.

2. Reasons for claiming that our past annual population statistics were substantially correct.

On 30 April 1982, the State Statistics Bureau released a "communique on the results of execution of the 1981 national economic plan" in which it was stated: at the end of 1981, the total population in the 29 provinces, cities and autonomous regions was 996.22 million (not including military personnel in active service). Adding to the above figure the 4.238 million military personnel in active service and also adding to it 6.58 million people as the number of people from the natural growth rate in the first half year of 1982 (assuming this year has maintained last year's annual growth level of 14.55 per thousand

and also assuming that the first half year's growth rate was 45 percent of the whole year's growth rate), then by 1 July, 1982, the total population was found to be 1.00704 billion. The results of this census showed a population figure of 1.00817 billion people. There was thus a discrepancy of 1.13 million people and the error was only 1.13 per thousand. This showed that the statistical figures released at the end of last year had a rather high degree of accuracy.

Let us further compare the population figure found in the second census (on 1 July 1964) with the population figure at the end of 1963 shown in the statistics compiled prior to the census taking. The population at the end of 1963 was found to be 691.72 million (including military personnel in active service). Adding to this figure 8.72 million people derived from natural growth in the first half year of 1964 (births in the first half of the year when the second census was taken), the total population was found to be 700.44 million. Compared with the actual total population figure of 694.58 million found in the second census, there was a discrepancy of only 5.86 million people, or an error of 8.4 per thousand. This may be said to be fairly close to reality. It happened that 1963 was a year immediately following a period when the national economy was encountering great difficulties and in certain localities there were frequent phenomena of people overreporting the number of folks in their families for the purpose of claiming more grain and more cotton cloth tickets. As a result, the rate of error in the population statistics was a little higher. However, the 1964 census discovered and rectified an overreported figure of 8.2 million people and an underreported figure of 2.35 million people. This helped to reduce the errors in the statistical figures for subsequent years and make them closer to reality.

Since the results of these two census were found to be extremely close to the statistical figures for the preceding years, it may be generally conceded that the annual population statistics released over the past years, at least since 1964, were substantially accurate.

Following the smashing of Jiang Qing's counterrevolutionary clique, since 1979 the State Statistics Bureau has resumed the practice of releasing an annual statistical report in which were figures of population statistics. The figures released were as follows: At 1978 year end, 958.09 million; 1979 year end, 970.92 million; 1980 year end, 982.55 million; and 1981 year end, 996.22 million. Certain foreigners at the time expressed doubt concerning the sources of these statistics. Some of them thought that they were only estimates; others were of the opinion that they were the results of sampling and investigation work. In reality, they were the basic statistics derived from the household and residence registers which all along had been kept in the country.

Some people have asked the question: If in recent years the population birth rate shown in the annual statistical reports has tended to be on the low side and some 3.23 million births were actually missing from the 1981 statistics, how could you reconcile the claim that the total population figure at 1981 year end was still substantially correct? In reply, we may say that the actual situation was like this: Many localities have been in the habit of reporting

births as simply inward migration of people. In this way, the total population figure could still be close to actual whereas the birth rate was on the low side. In our country, immigration of people from other countries has been extremely scanty. In the country as a whole, the outward and inward movements of people in the localities generally balance each other. However, the statistical figures for 1980 and 1981 disclosed that in various parts of the country inward movements of people far outnumbered outward movements. This is of course irrational. The State Statistics Bureau, maintaining the spirit of being practical and realistic, refrained from using and announcing the population birth rate for these two years and preferred to wait for the actual results from the current census. From now on, in addition to striving to our best to bring up the accuracy of the population birth rate in future annual statistical reports, the bureau plans to take up sampling and investigation work on such phases as births, deaths and migrations to facilitate checking with overall results and to enable us to know the actual conditions.

People may also ask: If the population figures in the annual statistical reports are fairly correct, and if, as stated above, the current census recorded some 11.75 million people who were without permanent residence registrations (category four above) and also recorded some other 6.57 million people (categories one, three and five), does this mean that all these figures were missing from the annual statistical reports? In reply, we may explain the actual situation as follows: Although the household and residence registers have served as the basis for the population statistics in the annual reports, these population statistics are different from the figures recorded in the registers and the two should not be treated as entirely identical. In our country, the departments in charge of household and residence registration have fairly in their grasp knowledge of the situation of the number of people "awaiting residence registration" (that is, people without permanent residence registration). The reason why these people are not entered in the registers is largely because these people wish to have their permanent residence shifted from the countryside to urban areas or from a small town to a larger town. However, because of relevant regulations of the state which aim at strictly keeping the urban population in control so as to lessen the state's burden in the supply of commercial grain, these people have not been allowed to move their permanent residence to the cities and towns (or to larger cities and towns). However, in compiling the population statistics at the end of a year, these people are still included in the statistics. As for people under categories two and three, they are likewise included in the annual statistical reports. The differences are: concerning category three, the annual reports based their figures on records of the household and residence registers of the localities and concerning category five, the annual reports did not include them in the statistics, whereas concerning category three, the current census based the figures on where these people were currently residing at the time of census-taking and concerning category five, the figures were likewise included in the statistics.

In the foregoing, we explained that our past annual statistical reports were fairly accurate. This does not mean that our current population statistical work is perfect. We are fully aware that in a country with a population of 1 billion and an enormously vast territory, to perform well this kind of work is not at all easy. As a matter of fact, in our work various improvements must

still be made, particularly such as augmenting the collection of population statistics in the countryside and statistics on births and deaths in both the urban and rural areas, so as to further improve the degree of accuracy of the population statistics in our country.

What are the reasons that our census taking work has achieved such a high quality development? This poses a big question and we do not intend to go into it at length in this article. We shall mention here only a few major points:

First our country is a socialist country and has carried out the system of public ownership of the means of production as well as the system of a planned economy. In the urban areas, three-quarters of the labor power are working in state-run enterprises and one-quarter in collective undertakings. In the countryside, nearly the entire labor force is concentrated in the collective economy. Management organs of public economy generally possess relatively detained information concerning the staff under them and the condition of their families.

Second, party committees at various levels of the CPC as well as people's governments at various levels all have exerted united and powerful leadership efforts vis-a-vis census taking. They fully mobilized the relevant departments and organizations of the populace to do a good job of census-taking. In the short period of only a few months, they mobilized and trained up 5.18 million census-takers, 1.09 million census-supervisors, 100,000 coding workers, and 4,000 recorders. The trainees were able to take up work within the specified time and their showing was up to standard. In addition, in only 2 years' time, qualified workshops for electric computers were set up, the machines were duly installed and computer stations in the 29 provinces, cities and autonomous regions all began functioning. The administrative and technical personnel required for these computers were duly allocated or trained and the computer workshops went into operation on schedule. All this would not have been possible without the unified leadership of the party and government.

Third, the broad masses of people rendered active support to the census taking work. In our country, the government and the people have identical interests. Unlike in old China, the people do not have to conceal the number of their family folks in order to evade taxation or military conscription. They fully realize that census taking helps in speeding up the four modernizations and in turn will improve the people's standard of living. They are glad to frankly report to the government the exact number of their family members. In this census taking, throughout the country some 8.62 million basic-level cadres and active elements (housewives, family women and retired workers and employees) among the populace voluntarily offered their services to help in the work. The various races of people all took census taking as a joyful event. On the day of 1 July, the localities were filled with an atmosphere of festivity.

Fourth, the census taking was attended to by close organization work and a strict responsibility system. The census office of the State Council, following the census regulations promulgated by the State Council, prepared and formulated the following forms and working procedures: detailed explanatory notes on how to fill in the census forms; classification and coding standards for place of abode, race or nationality, trade and profession; detailed regulations governing selection and training of census takers, registration and rechecking, post census quality sampling, manual reckoning, 10 percent preliminary

computerized reckoning, coding, packing, delivery and care of data and materials; and documents relating to liaison of various stages of work, division of labor, and so forth. In order that the entire census taking work could proceed in an orderly manner, the principles of overall planning were adopted and preliminary charts showing the overall planning and the various progressive steps were prepared and printed. This gave a concrete picture of the routine work which involved three separate stages, 24 job items and some 91 specified particulars. This was meant to make the staff members and workers follow an established order and routine so that they could proceed with their work in an orderly fashion. To ensure quality protection in the various stages, principles of quality control were adopted and put in practice. Concrete measures were formulated for inspection of the quality of completed jobs. At the same time, since electronic computers were employed to handle the processing of data concerning an enormous population of 1 billion people, the office formulated a planning and working program. Initial tests were conducted by the electronic computer center in various trial points embracing some 3.82 million people. For this purpose the office prepared three big "softwares," relating to the three procedural stages of editing, tabulating and general control, for feeding into the machines. What they had planned and prepared were finally put in use only after they had successfully passed the tests.

Fifth, the United Nations gave us its support. The UN population activities center, board, technical cooperation section and statistical department provided us with aid funds amounting to \$15.6 million for the purchase of 21 sets of electronic computers. Additionally, technical experts were dispatched by the UN to help us in our work.

All the above constituted important and necessary conditions for our success in this census taking work.

Concerning this census, some people said that there were four "unexpected elements," namely, that the party and government displayed so much concern with the progress of the work was unexpected, that the thoroughgoing and intensively penetrating manner of the propagation and mobilization work done had been unexpected, that the "down-to-earth" and highly detailed manner of the census work done had been unexpected, and that the ability of the provinces to put the computer in use in operation on due time had been unexpected. Some other people commented: "This census reveals the computation technology of China's mass line plus modernization." According to some foreign friends: "This is Chinese-styled modernized census taking." Truly, this census was one with Chinese characteristics. It has taken a step ahead in the modernization process of statistical work in China.

On the basis of the experiences gained from this census taking, and having in mind future needs, relevant departments are separately studying the possibility of undertaking similar national general surveys covering industry, agriculture, commerce and enterprise units (schools, hospitals, theaters, and so on). This will help in clarifying the real situation of our national power. It will provide plentiful statistical reference materials for building us into a powerful socialist country with special Chinese features. It will also open up a new road for the construction of a modernized socialist statistical system with special Chinese characteristics.

NATIONAL POLICY AND ISSUES

ADVERSE EFFECT OF THE CURRENT PRICE SYSTEM ON PRODUCTION NOTED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 13 Dec 82 p 3

[Article: "The Effect of the Current Price System on Production Must Not be Ignored; Evaluations of Economic Effectiveness Should be Made Primarily From a Macroeconomic Standpoint"]

[Text] Under ordinary conditions, the conclusions reached in financial evaluations of the effectiveness of investment in engineering projects are consistent. There are also times when the two may not be consistent with each other. This is because at present the prices of many natural resources in our country are created irrationally.

The price system that is in effect in this country at present is a unique, independent system that is completely out of synchronization with the international market. Although it plays a definite role in stabilizing commodity prices, avoiding the assault of fluctuations in prices in the international market and in making planned allocation of natural resources, it has a number of detrimental effects on expansion of the economy. The principal effects are the following.

First, calculations based on current prices are not a true reflection of the effectiveness of investment. To a certain extent, they conceal states of false profit and actual loss or of actual loss and false profit. The most prominent case is that of energy prices. The domestic allocated price together with transportation fees for Daqing crude oil is only 20 percent of the international price. For each ton of crude oil that the state supplies to businesses, it receives 510 RMB less in income than for crude oil that is exported. The domestic allocation price for coal is only one-third its price on the international market. Each ton of raw coal that the state supplies to businesses is equivalent to a subsidy to businesses of 80 to 100 RMB. More broadly speaking, the costs that businesses bear for such forms of power as water, electricity and gas are far lower than their actual consumption value. International prices for foods, ores, oil materials, oil products, coal and chemical products and raw materials that consume comparatively large amounts of energy are generally far higher than our domestic prices. These are all commodities for export sale. For every extra jin that businesses use, the state loses the difference in the price of one jin. Thus, engineering projects that consume these commodities create a state in which the costs of products become falsely lower and profits are

falsely higher as consumption increases. When policy is made on this basis, a policy which from in view of the overall situation is not too good from the standpoint of economic effectiveness or which may even involve a loss of money can be taken to be a policy resulting in good economic effectiveness. On the other hand, take rubber for example. From a national standpoint, denminbi can be earned by importing rubber and cord fabric and producing tires for export. In addition, foreign exchange can be acquired. The profit margin on sales is lower than the average profit margins of the eight largest American tire manufacturers before payment of income taxes. Thus, it should be said that this is a business that can be carried out in a big way. However, because of our practice of exercising high tariffs, the link of exporting goods has ended in high-loss goods, with exports having been limited. Factories have been forced to cut back on or stop production. If, under our current system, the domestic price of rubber did not deviate too far from the international price, this contradiction would be much smaller.

In view of the aforementioned circumstances, if financial evaluations of engineering projects are calculated only on the basis of current prices, a very large false factor may exist in the index of investment effectiveness. From the standpoint of one project, economic effectiveness may be very good, whereas in actuality, a very great proportion of the profit may have been at the cost of the state having decreased expenditures in other links. On the other hand, there are other projects where the economic effectiveness does not seem to be too good, whereas in actuality a very large part of the profit was given to the state in other links. Thus, computation of prices is not accurate and profit and loss are not true. How is one to arrive at a correct policy in this way?

Second, it is not advantageous to the stimulating of production and full utilization of natural resources. For example, various types of intermediate substances and such supplementary materials as catalysts, solvents and auxiliaries are key commodities in the production of plastics, dyes and rubber. For many years, many plants could not make great improvement in volume of production, quality and yields because there were not enough of these commodities to meet their needs. Because of low sales prices, engineering projects to increase production of these commodities often do not seem to be particularly ideal in terms of economic effectiveness from a microeconomic standpoint.

However, from a macroeconomic standpoint, their economic effectiveness is extremely good. If calculations in respect to these investment items are made solely on the basis of current prices, the support of certain sectors often cannot be obtained when policy is being made. Thus, this is not advantageous for stimulating production of these scarce resources, nor is it advantageous for the full utilization of other necessary resources.

Financial evaluation of the economic effectiveness of engineering projects should be made from both microeconomic and macroeconomic angles. Moreover, the latter should be the principal basis for making policy decisions. It is only in this way that we can avoid cases in which there is a profit from a limited perspective but in which there will be a loss from an overall perspective.

NATIONAL POLICY AND ISSUES

ZHANG JINFU SPEAKS AT NATIONAL ECONOMIC MEETING

HK280248 Beijing CHINA DAILY in English 28 Jan 83 p 1

[Article "by our staff reporter"]

[Text] An extensive network of economic and technical cooperation across the country has begun functioning as a part of the state plan, Zhang Jinfu, director of the State Economic Commission told his audience, mostly leaders of state organizations, in the first national symposium on economic and technical cooperation, which opened in Beijing yesterday.

As sponsor of the symposium, Zhang called for active promotion of technology transfers, compensation trade for technology, joint research on outstanding scientific and technical projects, better utilization and mutual support of specialized intellectuals, in addition to further improvement of existing exchanges of technologies, information, installations, management science and advisory services.

After practical experiences were reported by the mahors of Shanghai and Tianjin and the party secretary of Inner Mongolia, Zhang summed up, adding that in the past 2 years more than 6,000 projects and about 200 varieties of raw materials from 28 provinces and cities were involved in such cooperation. Localities and administrations of railways, coal, hydropower, and building materials invested more than 2.8 billion yuan for the purpose. In 1981, 3.3 billion yuan was spent on cooperative ventures; the figure was sure to be surpassed when 1982 figures become available.

Zhang pointed out that industrial production increased by at least 10 percent in Guizhou, Qinghai, Inner Mongolia, Yunnan, Shanxi and Anhui last year, to a great extent as a result of such projects.

North China sends Jiangsu and Zhejiang provinces and Shanghai 10 million tons of coal every year at a production value of over 25 billion yuan. Hubei has succeeded in arranging with coastal areas for 1,700 cooperative projects, while 1,664 projects have been arranged among five northern provinces. Wuxi City has pledged to help its sister city Huhhot to match its own technical level.

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NATIONAL POLICY AND ISSUES

ZHANG JINGFU ON ECONOMIC, TECHNICAL COOPERATION

OW291954 Beijing XINHUA in English 1222 GMT 26 Jan 83

[Text] Beijing, 26 Jan (XINHUA)--State councillor and minister in charge of the State Economic Commission Zhang Jingfu today called on all provinces, municipalities and autonomous regions to cooperate closely in passing on advanced technology and effective economic methods to all localities. One way to shorten the gap between advanced and less advanced areas is to exchange technical and other information, Zhang Jingfu said at a national meeting on economic and technical cooperation here.

Some forms of cooperation started a few years ago, he said, and must be expanded to all spheres including materials and equipment exchange, technology and funds. In the last 2 years, there were more than 6,000 items of technical and economic cooperation throughout the country and materials of 200 varieties were shipped to places in need. In 1981, shipments of such materials were valued at 3.3 billion yuan.

Zhang Jingfu praised such cooperation as "an important part of the state plan," and said it would spark initiative throughout the country. As a result of extensive cooperation with other localities, Guizhou, Qinghai, Inner Mongolia, Yunnan, Shanxi and Anhui last year each showed a 10 percent rise in industrial output value over 1981, while the increase for the country as a whole was 7.4 percent. In general, the more economically developed areas supplied technology, equipment and funds, and the remote and border areas provided natural resources and production areas.

Zhang Jingfu said that all localities should map out their plans for economic and technical cooperation which are to be integrated with overall plans for technical transformation and economic and social development. For the present, intraregional cooperation will take as its focus the exploitation of energy resources. Saving of raw materials and energy and expanding transport facilities. He urged all places to sum up experience and formulate policies and measures for management of the cooperative work.

[Over] 1,200 people participated in the meeting today, among them were Vice-Premiers Wan Li and Yao Yilin, ministers of the State Council and leading cadres in charge of economic work in provinces, municipalities and autonomous regions as well as economists, scholars and professors. Cadres from Shanghai, Tianjin and Inner Mongolia reported their achievements and experiences in economic and technical cooperation at the meeting.

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NATIONAL POLICY AND ISSUES

'BEIJING REVIEW' DISCUSSES POLITICAL, ECONOMIC WORK

HK110338 Beijing BEIJING REVIEW in English No 6, 7 Feb 83 pp 4-5

["Notes From the Editor's" column by political editor An Zhiguo: "Political and Economic Work"]

[Text] China now repeatedly stresses the importance of economic construction. Does this suggest that you no longer attach importance to politics or to political and ideological work?

Political and economic work should not be set against each other. Marxism holds that politics is part of the superstructure which is determined by the economic base and also reacts on the base, and that politics should serve the economic base.

To achieve its own emancipation, the proletariat must first seize political power from the hands of the exploiting classes and then consolidate the political power it has gained. Without political power it is impossible for the proletariat to free itself from enslavement, and socialist economic construction is out of the question.

In this sense, politics are more important than economic work. The Chinese people gave priority to the seizing and consolidating of political power before and during a period after the founding of the People's Republic of China.

The concept of politics first, however, should not be regarded in terms of absolutes. It would be wrong to insist on putting politics first at any time, in any place or under any circumstances. We have learnt many lessons in this regard.

After the basic completion of the socialist transformation of the means of production throughout China in 1956, the exploiting classes were eliminated as classes in our country. Class struggle was no longer the nation's principal contradiction. The party correctly called for a shift in the focus of the party's and the country's work to economic construction. Shortly afterwards, however, because of "left" mistakes in the party's guiding thought, class struggle was once again made a priority. This laid the groundwork for the "cultural revolution," which began in 1966 and, as everyone knows, caused serious setbacks in our economic and social development.

Since the third plenary session of the 11th Party Central Committee at the end of 1978, "left" mistakes have been corrected and marked changes have taken place in the country.

Some people question the correctness of China's stress on economic work by quoting the well-known saying of Lenin that politics cannot but take precedence over economics. But a careful study of the historical context of Lenin's remark reveals its real meaning.

Lenin did say, in once again on the trade unions, the current situation and the mistakes of Trotsky and Bukharin (January 1921) that politics must take precedence over economics. At that time, only 3 years after the successful October revolution, Soviet power was not yet consolidated and it was still impossible for the Russian party to shift the focus of its work to economic construction. Lenin's position was intended to oppose Trotsky's which erroneously called for discarding the task of consolidating the young Soviets and instead stressed production. Obviously Lenin's remark was a specific call to consolidate Soviet power as a first task, and was not intended as a generalization about the relations between politics and economics under all circumstances.

China is now concentrating all its forces on economic construction. This, however, does not mean that politics are not important. Although class struggle is no longer the principal contradiction today, the Party Central Committee has repeatedly reminded the whole nation that class struggle still exists and has called on the people to heighten their vigilance. The serious criminal activities in the economic sphere aimed at undermining the socialist economy are the concentrated manifestation of the current class struggle. China has already achieved successes in combating these criminal activities, and the struggle is still going on.

Mao Zedong said correctly: "Ideological and political work is the lifeblood of economic and all other work." Our economic and all other work should have a correct bearing. To engross oneself only in economic and vocational work and be politically indifferent or neglectful towards ideological work may cause one to lose socialist orientation. Mao Zedong also said: "Ideological and political work is a guarantee for fulfilling economic and technical work." This is because people's consciousness and initiative are essential to the successful completion of all kinds of work.

For varied reasons, ideological and political work was weak in many fields for a period of time. The Party Central Committee pinpointed this problem in 1981 and has adopted measures to strengthen the work in this field.

During the course of constructing a socialist material civilization, China also is building a socialist spiritual civilization, which includes education of the people in communist ideals and moral values, revolutionary discipline, patriotism and internationalism.

In China today, ideological and political work is conducted in combination with economic work. It serves economic construction and guarantees that our economy will develop in the socialist direction. Such an integration of tasks is far removed from the previous political struggles guided by "left" thinking, which were divorced from the economy and disrupted economic work.

NATIONAL POLICY AND ISSUES

'BEIJING REVIEW' ON NATION'S INDUSTRIAL DEVELOPMENT

OW040838 Beijing XINHUA in English 0812 GMT 4 Feb 83

[Text] Beijing, 4 Feb (XINHUA)--Energy, transport and technical transformation of existing enterprises are the keys to developing China's national economy to the point of quadrupling the gross annual industrial and agricultural output value by the year 2000, according to an article in the current issue of the English weekly BEIJING REVIEW.

Zhang Shuguang, author of the article and a staff member of the Economic Research Center of the State Council, writes that in 1981 China's total energy output was 632 million tons of standard coal, 13 times the 1952 figure. The average annual rate of increase between 1952 and 1981 was 9.3 percent—not a slow pace, he says.

Yet since the 1970s, energy supply has become a pressing problem and a weak point in the development of the national economy. The resulting energy shortage has idled around 20 percent of the industrial equipment in the last few years. This means an annual loss of 70 billion yuan in industrial output value. This troubling situation has come to the attention of the government, and energy development is now regarded as strategic to the overall development of the economy.

A comprehensive energy policy has now been formulated, the economist writes. For some time in the future, priority will be given to utilizing more coal mines and more hydropower resources. Oil and natural gas exploration and exploitation will be systematically pursued, and nuclear energy and other new types of energy resources also will be developed.

Meanwhile, energy investment will be increased. During the sixth 5-year plan period (1981-85), the state will allocate nearly 60 billion yuan—one-fourth of the total budget for capital construction—to the exploitation of energy. Furthermore, the article states, it has been decided that within the 3 years, beginning in 1983, a 20 billion yuan construction fund for energy and transport will be raised by the local governments, departments and enterprises. These units will be aided in allocating the funds collected in this way to energy and transport construction.

Between 1981 and 1985, China will begin construction of 28 new large coal mines, each with an annual capacity of over one million tons. Coupled with the output from new small and medium-sized mines, this will eventually increase the total annual capacity of China's coal industry by 220 million tons.

In the same period, power stations with a generating capacity of 36.6 million kilowatts are slated to be built, with an estimated 12.9 million kilowatts available before the end of 1985.

China is now cooperating with foreign countries to exploit offshore oilfields. It is expected that by the latter half of the 1980s, China's crude oil output will be on the increase. Oil production capacity is expected to increase by 35 million tons and natural gas by 2.5 billion cubic meters in the 5 years ending 1985. Before 1985, the annual oil output will be maintained at 100 million tons.

Experts estimate that after two 5-year plans, China's energy supply will gradually meet the needs of the national economy and its industrial development will be accelerated.

The writer explains how can China quadruple its gross annual industrial and agricultural output if it merely doubles its energy output. By saving energy and depending on technological progress, he says. China's energy waste is serious, according to the BEIJING REVIEW article. Its energy output ranks fourth in the world, yet its gross national product is eighth because of its low energy utilization rate.

There is considerable potential for saving energy, and experience in recent years also indicates the extent of the capability. Energy conservation was an important factor in China's increased total industrial output value over the last few years, the writer says.

Transport is also strategic for developing the national economy, the article says. For the sixth 5-year plan period, the state has allocated 29.8 billion yuan to be invested mainly for railway and port construction. In the sixth 5-year plan period, China will build 2,000 kilometers of new railway lines, double-track 1,700 kilometers and electrify 2,500 kilometers.

For water borne transport, China plans to develop its coastal waters and the Yangtze River into two trunk lines of water transport, one north-south and the other east-west.

Between 1981 and 1985, 132 deep-water berths will be built for 15 coastal ports, which expected to increase the handling capacity of the nation's seaports by 46 percent, from 217 million tons in 1980 to 317 million tons in 1985.

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NATIONAL POLICY AND ISSUES

GUANGDONG GOVERNOR ON POWERS OF SPECIAL ZONES

OW281339 Beijing XINHUA in English 1101 GMT 24 Dec 82

[Text] Guangzhou, 24 Dec (XINHUA)--Liu Tianfu, governor of Guangdong Province, said today that special economic zones should have greater decision-making power and efforts should be made to run the special economic zones more efficiently in line with the country's major principles and policies and according to local conditions.

The governor's remarks came in a report on the work of Guangdong provincial government at the fifth session of the Fifth Provincial People's Congress. He said that since economic zones have had considerable decision-making power, which makes it possible to open up fund-raising channels and accelerate the pace of construction in these areas. [Sentence as received]

Liu Tianfu cited some related facts in the report:

--The Shenzhen special economic zone in the province had, up to the end of August this year, imported 728 items of foreign investment, with foreign funds put into use amounting to U.S.\$240 million;

--In total, the special zone had utilized 730 million yuan of capital construction investment;

--The Zhuhai special economic zone had undertaken 13 projects in the fields of industry, communications, tourism and housing, with foreign funds put into use amounting to U.S.\$16.5 million;

--The special zone had also built harbors and opened a shipping line to Hong Kong;

--Of the 58 million yuan of capital construction investment fulfilled by the zone, 50 percent was derived from foreign funds and 40 percent came from the zone's accumulation. Both Shenzhen and Zhuhai cities, which were formerly based on agriculture, are now gradually developing comprehensive economic establishments embracing commerce, housing and tourism as well as industry and agriculture.

The governor then gave some figures to show the advance of the production in the special zones. Compared with last year, he said, this year's total output value of industrial and agricultural production of Shenzhen and Zhuhai increased separately by 32.4 percent and 8.2 percent and financial returns 25 percent and over 30 percent.

Liu Tianfu said that with the development of production, the people's living standards have been raised remarkably and the social order is being further improved.

Referring to the expansion of the zones' right of self-determination, he stressed the importance of the policy of separating administration from management. He said the carrying out of the policy in Shekou industrial area has helped expand the right of self-determination for the firms and streamline the administrative structures of the firms. Thus, the governor added, firms are able to complete the projects they build for others by contract with better economic results.

Today, he told the conference, the former coastal area around Shekou has been turned into a thriving industrial area of a harbor.

Citing the experience gained by the zones, he urged departments concerned to take into account the special conditions of such special economic zones in working out the regulations for them.

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NATIONAL POLICY AND ISSUES

'BEIJING REVIEW' DISCUSSES INDUSTRIAL DEVELOPMENT

HK050850 Beijing BEIJING REVIEW in English No 5, 31 Jan 83 pp 16-20

[Article by Zhang Shuguang, staff member of State Council Economic Research Center: "Chinese-Type Modernization (4): Two Keys to Industrial Development"--passages within slantlines published in boldface]

[Text] China intends to quadruple the gross annual value of its industrial and agricultural production and achieve a relatively comfortable standard of living in the two decades between 1981 and the end of this century. This will require a 7.2 percent average annual growth rate in industrial and agricultural output. As the leading factor in the national economy, industry must have an even larger growth.

However, energy is in short supply and transport is not well developed. Moreover, much of the industrial technology and production equipment is outdated.

Solving these problems are the keys to a sustained development of China's industry. These "tigers" are among the reasons for China's slow industrial development now and in the near future. Although they are combined in our national planning, for clarity's sake I'll deal with the subjects of energy and transport under separate subheads in this article.

Energy

China's total 1981 energy output was 632 million tons of standard coal, 13 times the 1952 figure (shortly before the first 5-year plan). The average annual rate of increase has been 9.3 percent. The pace is not slow, I would say.

However, problems exist. Energy supply has become a pressing problem since the 70s. It has become a weak link in the development of China's national economy, in part because of our previous inconsistent energy policy, onesided focus on extraction and neglect of exploration. These resulted in disproportionate relations between mining and tunnelling and between oil extraction and increasing our known reserves. In addition, the scale of national construction has been small in recent years because of the state's economic difficulties. A third factor was the huge waste of energy due to inefficient old equipment in the enterprises and to bad management.

The energy shortage has idled around 20 percent of the industrial equipment in the last few years, resulting in an annual loss of 70,000 million yuan in industrial output value. Many enterprises were forced to determine their output quotas based on how much energy they could get.

This already has come to the attention of the government. Energy development is now regarded as strategic to the overall development of the national economy.

/Formulating energy policy./ China has large coal reserves and rich water power resources. Thus, for a period of time in future, priority will be given to opening more coal mines and more water power resources. Oil and natural gas exploration and exploitation will be systematically pursued, and nuclear energy and other new types of energy resources also will be developed.

Furthermore, some concrete policies have been set forth, such as incentives for localities to open more local coal mines, and guarantees that if an area builds a small hydropower station, it will benefit from it, and no others will have the right to use it unless they pay.

/Increasing investment./ During the period of the sixth 5-year plan (1981-85), the state will allocate nearly 60,000 million yuan, one-fourth of the total budget for capital construction, to the exploitation of energy.

It has been decided that within the 3 years starting from 1983, a 20,000 million yuan construction fund for energy and transport will be raised by the localities and enterprises. Localities and enterprises will be helped to put the funds they collected into energy and transport construction.

Investment from foreign companies and individuals will be utilized through joint ventures.

/Accelerating construction./ During the sixth 5-year plan, China will begin to build 28 new large coal mines, each with an annual capacity of over one million tons. Coupled with the output from new small and medium-sized mines, this eventually will increase the total annual capacity of China's coal industry to 220 million tons. It is estimated that production capacity will increase by 80 million tons before the end of 1985, while an extra 140 million tons will be attained during the seventh 5-year plan (1986-90).

At present, we are concentrating on exploiting the coal reserves in Shanxi, northeast China, Inner Mongolia, and western Henan, and developing coal-fields in Shandong, Jiangsu, Anhui and Guizhou provinces. We are opening large open-pit mines in Huolinhe, Yiminhe, Pingshuo, Yuanbaoshan and Jungar.

In the same period, we will build power stations that will generate a total of 36.6 million kw, with an estimated 12.9 million kw available before the end of 1985.

During the sixth 5-year plan, oil production capacity will increase by 35 million tons and natural gas by 2,500 million cubic meters. China is

currently cooperating with foreign countries to exploit offshore oilfields. By the latter half of the 80s, China's crude oil output is expected to be on the increase. Before 1985, our annual oil output will be maintained at 100 million tons.

Experts estimate that after two 5-year plans, China's energy supply will gradually meet the needs of the national economy. By that time, China's industrial development will be accelerated.

Because of various limitations, development of China's energy industry will not be very rapid. By the end of this century, China's total energy output is expected only to double from more than 600 million tons in 1980 to around 1,200 million tons.

/Saving energy and technical progress./ If China merely doubles its energy output, how can it quadruple the gross annual value of industrial and agricultural production? By saving energy and depending on technological progress.

China's energy waste is serious. China's energy output ranks fourth in the world, yet its gross national product is eighth because of its low energy utilization rate. Energy authorities say that China's utilization rate is only 30 percent, while for industrialized countries like Japan, it is 57 percent and the United States 51 percent.

In terms of the total output value and national income produced from consuming one ton of standard coal, Japan, France and West Germany are more than five to six times higher than China, and India is more than twice China's figure.

Domestic per-unit energy consumption also varies considerably. In 1980, Shanghai consumed only 29,000 tons to produce 100 million yuan of value, while Tianjin, Zhejiang and Jiangsu consumed 40,000 to 43,000 tons. The figure for not a few provinces and autonomous regions is above 100,000 tons.

Thus, we must raise the energy utilization rate of the less-developed provinces and autonomous regions and close down a group of outdated enterprises that contend with advanced enterprises for energy and transport facilities. These measures will move the country's average energy consumption towards the level of Zhejiang. This will reduce the energy consumed in producing a value of 100 million yuan from 1980's 91,000 tons to 45,000 tons.

We clearly have a big potential for saving energy and experience in recent years also indicates that we have the capability as well. (See Table 1) More than 60 million tons of energy have been saved in 1980 and 1981, an important factor in China's increased total industrial output value over the last few years, despite the slow growth rate for energy. Things will be much better in the coming 3 years.

[Table 1]

/Energy Consumed To Produce 100 Million Yuan of Value/
(unit: thousand tons)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Energy consumption	100.4	94.7	91.0	86.2

In sum, our response to the energy shortage is to open new energy resources, while simultaneously saving energy and increasing our technological efficiency. These goals conform to China's specific conditions. The Chinese people will surmount all kinds of difficulties to try to turn the goals into reality.

Transport

Transport and communications is another key factor which conditions the development of industry. Although we have achieved a fair amount in this field, it remains a weak link in the national economy because it falls far behind industrial development as a whole.

/Mileage Increases/
(unit: thousand km)

	<u>1949</u>	<u>1980</u>	<u>Percentage Increase</u>
Railway (open to traffic)	22.0	51.9	136
Highway	80.7	888.2	1,001
Inland waterways	73.6	108.5	47
Civil air routes	11.4	191.6	1,581
	(1950 figure)		
Oil pipelines	--	8.7	--

Insufficient transport facilities are also an important aspect of the current energy shortage. In 1981, more than 17 million tons of coal were waiting to be shipped out of Shanxi Province, one of the country's major coal producing centers. Some coal mines fix their production quotas according to the transport capacity.

How will this primitive situation be changed? The state has listed the development of energy industry and transport and communications as strategic for developing the national economy. During the sixth 5-year plan, 29,800 million yuan will be invested mainly for railway and port construction.

/Railway./ China's major energy resource is coal, which mainly is moved by rail. It is estimated that, by the end of this century, an additional 20,000-30,000 kilometers of railway will be built; 15,000 kilometers double-tracked; 15,000 kilometers of the existing lines electrified, and steam locomotives be replaced by diesel and electric ones. These efforts are expected to increase the railway transport capacity four- to fivefold.

In the sixth 5-year plan period, we will build 2,000 kilometers of new railway lines, double-track 1,700 kilometers and electrify 2,500 kilometers. It is estimated that China's capacity to transport coal by rail from the major coal producing centers in Shanxi, western Inner Mongolia and Ningxia, will increase from 72 million tons in 1980 to 120 million tons by 1985. Coal shipped to the northeast China industrial base will be at least twice the present level.

(Water transport.) China's 18,000-kilometer coastline and 430,000 kilometers of inland waterways provide favourable conditions for developing water transportation. Since the founding of new China, considerable but not sufficient progress has been made in water transportation. There are serious shortages of deep-water berths and inland water transport.

The state has decided to step up port construction and the dredging of inland waterways and to encourage the localities and enterprises to build their own ports and establish their own fleets.

The sixth 5-year plan includes the building of 132 deep-water berths for 15 coastal ports, which will increase the handling capacity of the nations' seaports by 46 percent, from 217 million tons in 1980 to 317 million tons in 1985.

At the same time, projects along the Changjiang (Yangtze) River, the grand canal and other inland waterways will be accelerated so as to achieve marginal growth in the country's inland water transport capacity.

China will build its coast and the Changjiang River into two trunk lines of water transport, one north-south and the other east-west, and gradually link them with other rivers to form a complete water transport network.

Technical Transformation

China has about 400,000 industrial and transport enterprises. They are the foundation for continual development of the country's industry. However, only 20 percent of these enterprises are equipped with relatively advanced technology and machinery. In another 20-25 percent, although the equipment is well maintained, the technology is outdated. In the remaining 50-60 percent of the enterprises, not only is the technology outdated, the equipment also needs to be replaced.

Neither economic improvement nor industrial development is possible without the technical transformation of these enterprises.

In deciding the strategic objective of quadrupling the gross annual value of industrial and agricultural production, this great potential was taken into consideration.

Why not build new enterprises? Of course, some new enterprises are indispensable. However, the investment for new enterprises is much greater than for transforming the existing enterprises. In future, the development of

China's industry cannot rely mainly on building new enterprises and we must concentrate on renovating the technology of the existing enterprises and tapping their potential.

Some initial experiments with technical transformation in the past few years have shown satisfactory results. For instance, after technical transformation, the comparable energy consumption for producing one ton of steel at the Shoudu Iron and Steel Company in Beijing was reduced from 1,247 kilograms of standard coal in 1978 to 993 kilograms. In 1981, the company handed to the state 270 million yuan in profits, 50 percent more than in 1978. Shanghai has carried out technical renovation of all oil-burning heaters for steel rolling. As a result, energy efficiency rose from 30 percent to 60 percent, saving 100,000 tons of crude oil per year.

China is now gradually accelerating technical transformation. In the sixth 5-year plan period, the state will invest 130,000 million yuan for this purpose, 36 percent of the planned total investment in fixed assets.

During the period of 1981-85, technical transformation will be carried out in the two large iron and steel companies in Anshan and Baotou, in the Changchun No 1 motor vehicle plant, in power equipment manufacturing bases in Shanghai and Harbin and in the big coal mines of Datong, Kailuan and Fushun, as well as in the large caustic soda plants in Tianjin and four provinces.

The energy efficiency of China's equipment is far less than the developed countries. Experts calculate that the average of China's 180,000 industrial boilers is just over 50 percent. If it is raised to the advanced level of the developed countries through technical transformation, more than 50 million tons of standard coal will be saved each year.

/Comparison of Energy Efficiency/

	<u>China</u>	<u>Industrially Developed Countries</u>
Thermal power plants	29 percent	35-40 percent
Industrial boilers	50-60 percent	80 percent
Furnaces and kilns for industrial use	20-30 percent	50-60 percent
Home stoves	15-20 percent	50-60 percent
Locomotives	6-8 percent	25 percent
	(steam locomotives)	(diesel or electric locomotives)

Therefore, not only must China technically transform its existing enterprises, but there is much room for it to do so.

One Chinese economist estimates that China's technological level is roughly equivalent to that of the economically developed countries at the end of the 1950s and the beginning of the 60s. Thus, by eventual utilization of

advanced Western technology from the 1970s and the early 80s that suit China's specific conditions, we can quadruple the gross annual value of our industrial and agricultural production by 2000.

China is actively introducing foreign advanced technology. Some have been imported in the past few years. In the next 3 years, several thousand items of advanced technology will be introduced. In addition, the state will adopt both administrative and economic means to stimulate the enthusiasm of the enterprises and that of our scientists and technicians in order to maximize their role in technical transformation.

In short, emphasizing on energy and transport and technical transformation of the existing enterprises will allow us to gradually accelerate the pace of China's industrial development.

CSO: 4020/49

NATIONAL POLICY AND ISSUES

WAGE, PRICE SYSTEMS 'ADVERSE' RESULTS ON ECONOMIC EFFECTIVENESS

Shanghai SHIJIE JINGJI DAOBAO in Chinese 20 Dec 82 p 3

[Article by Qian Jiaju (0578 1367 7467): "A Discussion of Economic Effectiveness"]

The Price System--Rigidity of the price system cannot be readjusted as the market changes. The price problem is a central issue in the utilization of economic laws. It is another matter altogether from a planned economy as the main element and market regulation as the complementary element.

The Labor Wage System--The socialist system should not allow people to starve to death and should allow everyone to eat. However, a socialist system is not a system for fostering idlers. The labor system must indeed be restructured and labor discipline must indeed be reorganized. Hiring out of workers and staff that a plant does not need by the plant is not as good as their being hired out by society.

[Text] Since last year Premier Zhao brought up the question of giving serious regard to economic effectiveness. Why is it that the results are not marked? This is because increasing economic effectiveness is related to reorganization of the economic system.

From a systems standpoint, the two key problems in increasing economic effectiveness are, first, the problem of the price system, and, second, the problems of everyone eating out of one pot and of secure jobs. In respect to the price system, because the action of the market has been ignored for a long time, because the products that enterprises produce have been subject to centralized purchase by commercial sectors or state monopoly for purchase and distribution by commodity sectors and because prices are stipulated on a centralized basis, prices are not representative of value and are also not representative of what Marx called production prices (costs plus average profit). Moreover, there has been a consistent system for 20 or 30 years in which price and value have deviated from each other and in which the action of the law of value has been ignored for a long time. Let us bring up a number of simple examples. At present, the price of coal is low and is not sufficient for the cost. The price of a ton of coal is not as high as that of a ton of sand. This is not beneficial to expanding reproduction and it is also not beneficial to economizing on

energy. An engineer in the Ministry of the Coal Industry said to me: "If grain is cheap, this is harmful to agriculture. If coal is cheap, this is harmful to the mines." The costs of developing a coal mine have greatly increased, whereas the price of coal has remained unchanged. Thus, there is a loss on each ton of coal. At present, the government is making subsidies on two sides, a subsidy to the producers and a subsidy to the consumers. However, the price of coal cannot change because it is determined by the state on a centralized basis. This is not only not advantageous for expanding reproduction but it also increases the burden on the state. Moreover, the phenomenon of consumption of coal resources is extremely serious. Because it is too cheap, there are some people who feel that it doesn't matter much if they consume some of it. This is a great loss to the state and is deserving of our concern.

Irrational prices affect technological renovation. Let me cite another example. At the National Science and Technology Awards Meeting on 24 October, Premier Zhao said: "Last month I went to Liaoning and was told that the Shenyang Water Pump Plant had developed twenty-two new products. Among these, there are five kinds of high-efficiency water pumps that can provide good effectiveness for society. However, the problem of their prices could not be resolved. As the result, the plant lost 300,000 yuan and decreased bonuses so that the workers felt wronged. Now the Daqing Oil Field has concluded a contract to purchase water pumps from them and will return a fixed amount of the benefit they obtain from energy savings to the enterprise. Thus, this problem can be considered to have been solved. However, there are many incidents like this. A plant that was producing line switches for the Northern Railroads Ministry improved its technology with the result that the use life of the product from one year to three years. This was basically a good thing. However, they were afraid that their orders would decrease and this would affect the value of output, which would not be advantageous for the plant. So this new technology was shelved." A new type of technology can save millions of yuan for the state and can increase the life of a product three times. However, because the price is irrational, there is no way to use it. It was fortunate for the Shenyang Water Pump Plant that Premier Zhao looked into the situation and solved it. But what about other cases that have not been discovered or ones that have been discovered but which Premier Zhao has not attended to personally?

On the other hand, there are some products the prices of which are too high. This is not advantageous to production. For example, there are high prices and high profits for television sets and wristwatches so that production continues even though they are overstocked. For example, up to April of this year, 1.74 million television sets were produced. However, inventories were already overstocked with 1.4 million sets. Because of the high price and profit and centralized purchase by the state, it is of no concern to the enterprises whether or not they are overstocked. Therefore, goods that are in abundant supply always remain in short supply (the prices of and profits from goods in short supply being low). In the case of wristwatches, in Shanghai the cost for each watch is 12 yuan, while a watch sells for over 100 yuan. With a product having a high price and a high profit like

this it is not necessary to improve economic management in order to be sure of being able to make money. This serves only to protect the backward and attack the advanced. Because of high price and high profit, there cannot be small profit with quick turnover.

The prices of grain and vegetable oil have fallen. For each jin of grain that the state purchases, it pays a subsidy of one jiao and pays a subsidy of 8 jiao for each jin of vegetable oil. In recent years, there have been increases in grain production and rapeseed oil in our country. However, there has not been a very great increase in grain and vegetable oil in the hands of the state. Because there has been no money, the more that is bought the more the loss is. In 1982, state subsidies for grain amounted to 14.1 billion yuan and there was an increase in loss because the state purchased a larger portion of grain and also purchased somewhat more rapeseed oil. The loss sustained by the supply and marketing cooperatives was 3.17 billion yuan because more cotton was purchased. Therefore, the financial burden of the state becomes heavier as agricultural harvests become more abundant. These are very abnormal phenomena. Their cause is that the price system has become rigid and cannot be readjusted as the market changes. The price problem is a central issue in the utilization of economic laws and is something different from a planned economy as the main element and market regulation as the complementary element.

The second matter concerns the problem of the labor and wage system. The labor management system in our country has its origin in the Soviet Union of 1950s. Under it, the state labor sectors distribute the labor force and determine the total amount and standard of wages on a centralized basis. The result of this is that plants are often allocated workers who do not have any interest in their work or whose training cannot be applied to it, with the plants not having any right to discharge workers and having to treat those who are capable and those who are incapable as the same and those who do a good job and those who do a bad job as the same. After the ten years of disorder in particular, the ideologies of "egalitarianism" and "everyone eating together" have been very serious and have even been considered to be manifestations of the superiority of socialism. The number of workers that an enterprise requires should of course decrease as labor productivity increases. However, as the result of the fact that workers can be hired but not released there are more workers than the work requires, with five people eating the food of two people. This has resulted in "ten people doing the work of two people," with labor efficiency becoming lower and lower. When the substitution system is compounded with this, the number of skilled workers continually decreases. How can economic effectiveness improve under these circumstances? In addition, enterprises stress being big and complete and small and complete. After a plant has been set up, they also want to set up a medical clinic, a kindergarten, a child care center, a school, residences and stores. Nothing is left out and they even include managing the workers' energies in all of this so that they are not able to devote themselves to handling production. If this problem is not solved, it will be very difficult to improve economic effectiveness. In July of this year, I went to Jilin to give some lectures.

There I visited a factory at which there were more than one thousand staff and workers. Of these, there were 450 persons who had been ill for long periods and who were not coming to work but who were collecting their wages as usual. Each year, their wages amount to an expenditure of 400 or 500 thousand yuan. How can a factory of this kind not run at a loss? This is not a problem of the wage system but rather is a problem of the labor system. It is my view that once a plant has set its number of personnel, its quota and its tasks it should not incorporate surplus staff and workers into the enterprise. Rather, it would be better if their needs could be met in social welfare projects administered by the civil administrative sectors rather than letting them live their lives off the plant. Otherwise, economic accounting is out of the question and increasing labor productivity is also out of the question. A socialist system should not allow people to starve to death and should allow everyone to have food to eat. However, a socialist system is definitely not a system for fostering idlers. The labor system must indeed be restructured and labor discipline must indeed be reorganized. Hiring out of workers and staff that a plant does not need by a plant is not as good as their being hired out by society. The seriousness of the waste in our nation's enterprises is alarming. One aspect is waste of raw and processed materials and another aspect is waste of the labor force. The State Economic Commission had made an agreement with the Ministry of International Trade and Industry [MITI] of Japan to the effect that beginning in the latter half of last year the Japanese would send specialists to assist a number of plants in our country in improving economic management and in technological transformation. Up to the end of June, they had examined 22 plants and diagnostic reports had been received on 17 of them. The suggestions that they proposed consisted primarily of eight items. The first item was as follows.

"Organization of production is chaotic, there is an excess of people for the work and waste is severe. On the one hand, there is serious waste of materials, while on the other hand there is a severe waste of man-hours. The workers do not exert themselves at work and utilization of capacity and actual utilization ratios of man-hours of the workers are too low." It is difficult to get people to understand that while wages in this country are among the lowest in the world we must still make up for losses on our exports. The reason for this is that while our wages are low our labor productivity is even lower. If this problem is not solved, then increasing economic effectiveness becomes empty talk.

10019

CSO: 4006/224

AGGREGATE ECONOMIC DATA

'BEIJING REVIEW' DETAILS NATIONAL STATISTICS

HK170916 Beijing BEIJING REVIEW in English No 2, 10 Jan 83 pp 26, 27

["Facts and Figures" column: "Population and National Resources"]

[Text] Light, heat, water, soil, animals, plants and mineral resources are abundant in China, providing extensive possibilities for the development of the national economy. But the distribution of these resources is uneven.

The facing table is based on 1981 figures from the State Statistical Bureau. With the exception of the population and land calculations, other items in the table do not include statistics from Taiwan Province. According to the national census of July 1, 1982, China had a population of 1,031,882,551.

1981

1. Population

Total population at the end of the year	1,014.36 million
Population of national minorities	62.18 million
Density	104 per sq km

2. Land

Area of territory	9.6 million sq km
Topography distribution	
1) Mountains	33 percent
2) Plateaus	26 percent
3) Basins	19 percent
4) Plains	12 percent
5) Hills	10 percent

3. Climate

Annual average rainfall	630 mm
Total annual rainfall	6,000 billion cu m

3. Cont'd

Climate distribution

1) Wet area (with drought index less than 1.0)	32	percent
2) Semi-wet area (with drought index between 1.0-1.5)	15	percent
3) Semi-dry area (with drought index between 1.5-2.0)	22	percent
4) Dry area (with drought index more than 2.0)	32	percent

4. Forests

Total area of forests	119.78 million hectares
Nation's area covered by forests	12.5 percent
Total deposits of timber	9.35 billion cu m

5. Grasslands

Total area of grassland	319.08 million hectares
Usable area	224.34 million hectares

6. Hydrology and water conservancy

1) Total annual runoff of rivers:	2,614.4 billion cu m
Zhujiang (Pearl) River Basin	307 billion cu m
Changjiang (Yangtze) River Basin	979.3 billion cu m
Huaihe River Basin	53 billion cu m
Huanghe (Yellow) River Basin	56 billion cu m
Haihe River Basin	28.4 billion cu m
Songhua River Basin	75.9 billion cu m
Rivers in Zhejiang and Fujian Provinces	200.1 billion cu m
Rivers in Tibet	359 billion cu m
2) Total area of fresh water	16.64 million hectares
Area suitable for breeding aquatic products	5.03 million hectares
Area used for breeding aquatic products	2.74 million hectares
3) Water resources reserves	676 million kw
4) Area of sea fishing ground	818,000 hectares
5) Sea area for breeding marine products	492,000 hectares
Area used for breeding marine products	116,000 hectares
6) Mainland coastline	18.000 km

7. Mineral resources

Coal deposits	642.7	billion tons
Iron ore deposits	44.31	billion tons
Number of minerals:	134	
Energy (coal, petroleum, gas, etc)	6	
Ferrous metals	5	
Non-ferrous metals	20	
Rare or rare-earth metals	28	
Nonmetal minerals	75	

CSO: 4020/50

ECONOMIC MANAGEMENT

'JINGJI GUANLI' ON IMPROVING EQUIPMENT MANAGEMENT

HK101351 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12,
15 Dec 82 pp 43-46

[Article by the Production Management Bureau of the Ministry of Machine Building Industry: "Incessantly Improve the Standard of Equipment Management by Learning From Advanced Foreign Experiences"]

[Text] Since the third plenary session of the 11th CPC Central Committee, the machine building industry, while carrying out the Central Committee's domestic policy of bringing about a brisk and responsible economy and open door foreign policy in the course of readjusting the national economy, has started, according to the actual situation and aiming at laying the foundations and raising the standard of equipment maintenance management, to learn from and apply advanced foreign experiences in this field. It has mainly introduced and learnt from the Japanese production maintenance system calling for the participation of all the plant personnel [abbreviated to TPM]. It has subsequently introduced and learnt from comprehensive equipment management engineering originated in the U.K., the Swedish preventive maintenance system and the improved version of the unified and planned preventive maintenance system of the USSR. The pilot experiments carried out over the past few years have obtained preliminary results.

1. The equipment maintenance management has been subordinated and closely linked to the management policy and objectives of the enterprise, and as a result, the view that equipment maintenance must serve production has gained ground.

Due to the trammels of the traditional concepts of management, the equipment department of our enterprises worked passively over a long period of time, limiting its tasks to the employment, maintenance and repair of equipment while neglecting some other aspects of equipment management, failing to set sufficiently clearcut objectives, and was unable to find a satisfactory solution to the contradiction between production and equipment maintenance. Pilot experiments have indicated that the work of equipment maintenance management should fit in well with the work of developing the variety and raising the quality of products as well as with the attainment of other objectives of the enterprise. In this way, production will develop while the work of equipment maintenance will go ahead. In recent years, Shanghai's

Pengpu machine building factory has markedly raised its standard of equipment maintenance management by learning from foreign experiences in modern equipment management; it has established, in accordance with the management policy and the objectives to be attained, policies and targets for each year's work of the equipment department, demanded systematization of management, institutionalization of systems, standardization of the duties of each post, quantification of data and rationalization of the system of reward and penalty, and with the blessing and support of the factory management, it has striven to lay the foundations of a strongly-rooted equipment management working system. The factory's output has gone up year after year while its major product, bulldozers, has not only quickly taken off the label of being not up to standard, but also reached the standard of first category products. Meanwhile, the rate of equipment in good repair has basically remained at over 90 percent in the factory, the rate of machines out of production due to breakdowns went down to 0.79 percent in 1981 from 1.68 percent in 1979, and expenditure on equipment repairs recorded a reduction of 1,226,000 yuan in 1981 with respect to 1978. Thus, from being a factory with equipment maintenance management in a state of backwardness and confusion, this factory has become one of the advanced units under the Shanghai First Bureau of Machine Building and Electricity Industries for good equipment management.

2. By flexibly applying a large variety of foreign equipment maintenance methods, our enterprises have worked up detailed and appropriate maintenance methods and systems, making repairs more purposeful and greatly boosting production.

Over a long period, our enterprises carried out equipment maintenance work by mechanically sticking to the system of large-, medium- and small-scale servicing, which has the disadvantage of being aimless and uneconomic. The maintenance methods of the production maintenance system, now implemented in foreign countries, are more flexible and varied and thus play a positive role in ensuring production. The second automobile factory has studied and applied this foreign system. Taking into account the large variety of equipment in the enterprise, the factory has made flexible use of different maintenance methods in accordance with the characteristics and type of each machine and within the framework of carrying out preventive maintenance. For instance, in the plant making transmission shafts, since there is a large amount of special equipment for assembly lines and it is more desirable to run production continuously, a scheme called "two keys, one preventive measure and quick repairs" has been adopted (two keys are: Listing the key machines and asking machine operators to inspect key machines. One preventive measure is: Maintenance workers do a good job of preventive maintenance. Quick repairs are: Shortening machine breakdown times by installing error detectors on machine). The coach-building plant provides another example. Since this plant has a large number of huge stamping equipment and is heavily loaded with production tasks, a scheme called "three inspections, one servicing, four repairs and one standard" has been adopted (three inspections are: Inspection of machines by machine operators; routine inspection ensured by maintenance workers and inspection of key machines every weekend. One servicing is: Carrying out servicing stage one once every 6 months. Four repairs are: Compulsory repairs, parts repairs, synchronous repairs

and performance improving repairs. One standard is the standardization of all equipment maintenance practices through planning). A third example is provided by the second casting factory, where a scheme of daily inspection of key machines, weekly routine inspection and month-end preventive maintenance has been adopted for the quite highly mechanized and automated "01" and BMD moulding lines. Instead of applying a single model, the above-mentioned factories have adopted different maintenance methods according to their actual production requirements and the characteristics of their equipment, and have thus obtained fairly good results, playing a positive role in ensuring a steady growth of the factory's production.

3. Key machines have been divided from others in the light of the key manufacturing processes and special attention has been paid to strengthening the management of key machines so as to make equipment maintenance management really effective.

Instead of taking care to classify machines according to their importance to production, the existing equipment management and maintenance system provides for the same measures of maintenance, servicing and repair for all machines. The existing system does not lay stress on key machines and fails to grasp key problems for it makes even-handed use of maintenance force and resources. As a result, it is hard to secure key manufacturing processes from interruption and the maintenance work is not effective failing to produce evident effects. Listing key machines and strengthening their management and maintenance according to production requirements, as is provided for in the production maintenance system of modern equipment management, have proved remarkably effective for ensuring the smooth running of the machines used in key manufacturing processes. In order to ensure the quality and output, Chongqing car engine factory, which is a factory specializing in making diesel engines for automobiles, has listed 24 machines as key machines (representing 4 percent of the factory's major equipment) in accordance with the key processes in manufacturing diesel engines. The factory's equipment department manages the key machines direct, implementing a system of key equipment maintenance, called "three fixed assignments," that is, assignment of fixed technicians, assignment of fixed duty maintenance personnel and assignment of fixed servicing personnel. The factory has also provided that operators of key machines receive more bonus than operators of non-key machines. This factory undertook a pilot experiment on key machines management in 1981. Following a general survey on the state of machines from technological point of view, the machines were classified, but not a single key machine was up to the standard of the first category for having good technical qualities to make products to the required precision. The factory first concentrated on 12 third category machines which were in a bad state or repair and had more troubles. After taking appropriate measures, they reduced in that year the number of third category machines by eight and increased the number of first category machines to 12 from zero. The machine stoppage times of all the key machines totalled over 100 days in 1980, the year prior to the implementation of the key machines management; while in 1981, the year in which the key machines management was implemented, the aggregate stoppage times of all machines went down to 15 days. This basically corrected the very abnormal situation

in the past of frequent production interruptions due to machine breakdowns and greatly ensured the normal production of diesel engines for automobiles.

4. Experiments in participating in managing equipment during the first half of its life have been carried out as an application of the concept of equipment life costs and have proved to be helpful to exploring how to take the initiative in equipment maintenance management for attaining better economic results.

As provided for in the current equipment maintenance management system, the equipment department is responsible for equipment maintenance management only after new equipment has started operating, that is, for the second half of its life. Since the equipment department does not take part in studying equipment investment plans and in analyzing the reliability and economic efficiency of the equipment, the department often finds itself in a passive position while managing equipment during the second half of its life just because decisions on purchasing equipment have not been carefully made. The theory of equipment life costs, which is part of the modern equipment management abroad, attaches great importance to the analysis of the reliability and economic efficiency of the equipment to be purchased, requires equipment to be managed during its whole life and lays stress on achieving overall technical and economic effects. In the course of learning from advanced foreign experiences, the management of an increasing number of enterprises has paid attention to the view that making full use of the special knowledge of the equipment department to select high quality and economic equipment is necessary for new equipment to produce better and faster effects. While carrying out pilot experiments on implementing the TPM system, Chengdu measuring and cutting tools factory assigned to the equipment department the duty of taking part in examining plans of replacing and rebuilding machines and in selecting new equipment to be purchased. For all the new machines purchased in 1981 under the responsibility of the equipment department, the installation and test running were satisfactory, and the schedules of holding acceptance tests and starting operation were respected. Thus, the investment in new equipment in that year yielded profits in the same year and produced immediate economic results. Moreover, as regards management of a machine in the second half of its life, some enterprises have also started studying how to reduce as much as possible maintenance costs by adopting economic and appropriate maintenance methods. For instance, Qijiang gears factory has carried out specially for some of its multiple-use machine tools which are specially used for processing, repairs on an item to item basis and has thus reduced the workload of general servicing, maintenance costs and stoppage hours for repairs.

5. The back-up work such as sorting out machine logs and making statistical analysis has been stepped up so as to argue on the basis of statistical data.

Through learning from advanced foreign experiences, the enterprises have set or improved on indices of technical and economic efficiency of equipment, sorted out the data contained in machine historical records, made statistical analysis and used various types of charts to mirror performance. As a result, they have raised the standard of their management. While carrying

out pilot experiments, Shanghai Pengpu machine building factory set statistical indices of actual running hours of all metal cutting machine tools, maintenance costs, machine stoppage hours, progress of stage one and stage two servicing, utilization rate of equipment, and maintenance costs per 10,000 yuan worth of output; the second automobile factory set norms for six items, that is, the amount of labor spent in maintenance, maintenance costs, consumption of lubricating oil and grease, consumption and recovery of major materials and on the basis of these norms, the equipment maintenance work was arranged and assessed. After using the norms as criteria of assessment, the kinetic energy that the factory spent in producing a car went down by 29 percent in 1980 with respect to 1977 and its general servicing costs went down by 5 percent. Many experimental factories have fairly often resorted to various types of work flow charts, breakdown analysis charts, general servicing network analysis charts to determine the key links of equipment management and working procedure and have thus raised their standard of equipment management.

In order to learn from advanced foreign experiences in equipment management, a lot of preparatory work has to be done. While organizing courses and pilot experiments, we have mainly grasped the following links:

1. Training cadres and deepening people's conviction. Since 1975 we have first concentrated on training cadres, organizing four courses of modern equipment management in a row and training over 700 cadres as the backbone of equipment management for provincial and municipal machine building departments and for enterprises as well. The syllabus of the training course has covered modern management methods and theories (systems engineering, value engineering, reliability engineering) and their application in equipment management, the equipment management systems of foreign countries, (including comprehensive equipment management engineering originated in the U.K., the TPM system of Japan, the preventive maintenance system of Sweden and the development of the unified and planned preventive maintenance system of the USSR, and an introduction to the major points of the equipment management and maintenance system used in our machine building industry at present. Our training program has not been limited to training courses held by the ministry itself; we have also asked provincial and municipal machine building departments and bureaus to organize courses so as to provide to more equipment management cadres the opportunity of keeping abreast of development in equipment management abroad. In addition, we have also undertaken propaganda drives, introducing to the management at all levels, full-time maintenance personnel and workers the situation of equipment management in Japan and other foreign countries with a view to creating organizational and ideological conditions for carrying out pilot experiments with the TPM and other systems.

2. Actively carrying out pilot experiments and letting model enterprises show the way.

Although there are good points in the foreign equipment management systems which we may copy, but since conditions vary from country to country, we must first carry out pilot experiments and if the experiments turn out

successful in practice, we may conclude it is possible to apply this or that good point and the experimental enterprise may set an example to the others, showing them the way. Taking into account the different cases of the machine building enterprises, we have carried out pilot experiments in both large, medium and small enterprises and 3 years of pilot experiments, and dissemination of the experiences has resulted in the emergence of a large number of enterprises which have obtained certain positive results. For instance, among the large enterprises, there have been Shanghai Pengpu machine building factory, the first automobile factory, the second automobile factory and Chengdu measuring and cutting tools factory; among the medium enterprises, there have been Wuxi measuring and cutting tools factory and other factories; among the small enterprises, there have been Shanghai standardized tools factory and other factories. All these enterprises have gained some practical experience from experimenting with the TPM system and have gradually become thorough in their work. As regards experimental places, we have concentrated our pilot experiments in Shanghai, Jiangsu Province and Sichuan Province, where the machine building industry is quite concentrated and its production capacity is more or less fully utilized. By the first half of 1982, 52 enterprises under the Shanghai First Bureau of Machine Building and Electricity Industries had carried out pilot experiments while both in Sichuan and Jiangsu provinces 10 enterprises had carried out pilot experiments and more are joining them. Carrying out pilot experiments first and letting model enterprises show the way have proved useful to learning from and applying advanced foreign experiences with enthusiasm and step by step so as to attain more lasting success.

3. Mobilizing the strength of all for learning from foreign experiences and carrying out pilot experiments.

In order to gradually spread good experiences, they must be made known to and digested by more people. Therefore, we have taken care to mobilize the strength of all to inspire people to learn from and apply advanced foreign experiences. First, we have mobilized the strength of the major regional mass cooperation organizations under the Ministry of Machine Building Industry, making the study and application of foreign experiences in equipment management an important part of the activities arranged by them, frequently inviting experimental enterprises to report on their attainments and organizing on-the-spot visits. Second, the Society of Equipment Maintenance, which is a member of the Society of Machine Building Engineering, has been invited to play a role, such as organize symposiums on equipment maintenance management for comrades engaged by machine building enterprises for equipment maintenance management, to enquire into, compare and analyze the advantages and disadvantages of various foreign equipment management and maintenance systems, publish reports, translations and articles in the society's periodical. Third, we have appreciated the strength of our universities and colleges, inviting teachers from the universities and colleges concerned to give lectures on modern equipment management for machine building enterprises so as to tap their intellectual potential. In the past 3 years, supported by the organized strength of all, we have done propaganda among the broad mass and organized courses and

exchanges. As a result, the comrades engaging in equipment maintenance management work have gradually come to know and accept foreign experiences in equipment maintenance management and this has in turn given an impetus to carrying out pilot experiments.

4. Organizing international exchanges according to what we need to learn.

In order to acquire a better knowledge of the current state as well as the trends of equipment management in foreign countries, we have, on the other hand, organized the work of gathering and translating technical data and, on the other hand, availed ourselves of every opportunity of travelling abroad, whether as members of study missions or as participants in international conventions on equipment management, to collect data and to broaden our minds. Since 1977, we have sent an automobile industry study mission and a study group of the Society of Equipment Maintenance to Japan, which have used the opportunity to learn the Japanese TPM system and modern equipment management, visit factories, collect reading materials and invite members of the Japanese Association of Equipment Engineers to visit China and to give introductory lectures on the TPM system. Through these international exchanges, we have come to know better how the TPM system is actually implemented in Japan. We have also used the opportunity of attending the equipment management course held by the United Nations in the Philippines, to ask our students to bring back reading materials on preventive maintenance and to have them translated for dissemination; we have invited the Swedish A Li La Di [7093 6849 2139 5530] training center to hold courses on equipment management in China for the purpose of training specialists; we have also taken part in the international convention on equipment engineering organized by the United Nations in India in 1979 and in our contacts with foreign academics and experts in the field of equipment engineering, we learnt the developments in equipment management abroad; we have obtained, through our embassies, the proceedings of the annual meeting that the Union of European Equipment Maintenance held in Yugoslavia. In short, we have fully used the limited opportunities of going abroad to selectively and systematically accumulate data, tap new sources of information for learning from foreign experiences in equipment management.

5. Strengthening organization and management and grasping the implementation at all levels.

Mass participation is a distinctive feature of equipment maintenance management work. In order to learn from foreign experiences in equipment management and successfully carry out pilot experiments, the leadership must be the first to attach great importance to the work and be the first to do the work. As early as 1979, in the course of the consolidation intended to let the enterprises recover mainly through upgrading the quality of their products, the persons then responsible for the First Ministry of Machine Building Industry listed equipment maintenance management as an important part of the consolidation and emphasized the need to raise the standard of management by learning from the Japanese TPM system. At the ministry's annual meetings for discussing equipment management, learning from foreign equipment

management was an important item on the agenda and at the annual meetings instructions were given, arrangements, reviews and summaries were made to give an impetus to pursuing pilot experiments. During the same period, with the help of the provincial and municipal departments and bureaus of machine building industry and the ministry's special industrial bureau, the management of pilot experiments in the enterprises which are within the jurisdiction of the ministry, has been strengthened. We have also sent teams to experimental enterprises to undertake investigations, help sum up experiences, organize well-programmed exchanges and have thus helped carry out experiments step by step.

CSO: 4006/262

FINANCE AND BANKING

RELATIONSHIP OF FINANCIAL SYSTEM, ENTERPRISE OPERATIONS DISCUSSED

Proceeding From Reality

Beijing SHANGYE KUAIJI [BUSINESS ACCOUNTING] in Chinese No 8, 10 Aug 82 p 32

[Article by Ye Jian [0673 0494]: "Proceeding From Reality Or From the Provisions of the System"]

[Text] In practice the following sort of problem often arises: a certain enterprise needs to build an oil storage container with 200 tons capacity, but it has no construction funds. The problem can be solved by using ordinary construction funds, but according to regulations ordinary construction funds may only be used to build small oil tanks with a capacity of less than 50 tons. What should they do? At this point there was a debate between two points of view. The first view held that the rules for ordinary construction funds must be followed: four small oil tanks should be built instead of the 200 ton oil tank which would be classified as capital construction. The other view held that it would be reasonable to build the larger 200 ton oil tank: this would save one third of the cost and materials for building the small tanks, and would also occupy less land. If they could build four little ones, why not build one big one? After the debates had clarified the two viewpoints, they asked for instructions from a higher level: the higher level supported the second point of view and approved construction of a single large oil tank—obviously the correct decision. Debates about this kind of problem are frequent in financial management. Although the debates concern specific questions, they reflect two alternative guiding ideologies: should we proceed from reality, or from the provisions of the system?

The financial management system is set up for a certain period in accordance with our understanding of the general and specific policies of the state, and of the activity patterns of enterprise business operations. It creates the conditions for developing and managing enterprises, and provides criteria which should be observed in management. In this respect, the financial system and business operations are in harmony and complement each other. However, objective reality is changeable and business operations constantly develop and change, while the financial management system is relatively stable: this can generate contradictions as we go forward. In one type of situation, when we are proceeding from the requirements of actual business operations, we find that when finance should be supporting operations it is prevented from doing so

by rules and regulations. In a second type of situation, operational expenditures may follow the rules and regulations, but be irrational with respect to reality; nevertheless, things are still done according to the book. These two kinds of situations can result in losses and waste; this is the often mentioned contradiction between the "rational and illegal" and the "legal but irrational." Some of these contradictions arise from sections of the rules and regulations which are inherently not entirely rational; some arise when conditions change as operations develop, so that the rules and regulations are no longer suitable; and some arise from problems in application. There is an objective criterion to determine what is "rational": it is to maximize economic results while minimizing expenditures and the use of funds. Without this principle, everybody could say whatever he pleased, and it would be impossible to reach a common understanding.

To proceed from reality or from the provisions of the system: the results of acting according to these two guiding ideologies of financial management can be as different as night and day. To proceed from the provisions of the system, to mechanically apply the system, to believe that financial controls are something absolutely perfect which do not have to be modified once they are set up, to neglect objective reality and thoughtlessly "go according to the book" when there are changes in operations: such attitudes often prevent the timely solution of problems which can and should be solved. They can even effect the development of operations and lead to unnecessary losses and waste. Those who believe that they are correctly implementing the rules and regulations may, in fact, lack a correct understanding of the essential spirit of the relevant parts of the system. To proceed from reality, to base oneself on the general policies for national economic construction and the spirit of the relevant rules and regulations, to do feasibility studies on financial possibilities and the improvement of economic results, to weigh pros and cons, to boldly take responsibility, to be decisive: this is the only way to promote the development of business operations. We must overcome the first guiding ideology and bring the second into play.

The financial management system generally does reflect the needs of the state planned economy and the development of enterprise operations: it should be conscientiously and thoroughly implemented. Without a square and compass you can't make squares and circles: without following a system, with everybody doing as he pleases, enterprise management falls into chaos and state property suffers losses--this goes without saying. However, China has a vast territory and population, and conditions in the different regions and departments are not the same: to try to use a single model and standard, and to try to solve the problems of all the enterprises with the same measures are obviously impossible. Furthermore, objective reality is infinite in its variety and transformations. Even the most perfect rules and regulations cannot encompass everything and solve every specific problem. The method of mechanically applying rules must not be used. As objective reality develops, there are no rules and regulations which can be used forever without alteration. Therefore, in our financial management work, we must observe the relevant provisions of the system, but must also proceed from reality, specific problems, and concrete analysis. While we uphold principles, we must also be good at applying them with flexibility. At the same time, in the course of practice, we must rely

on the masses, carefully investigate and study, understand the history and present state of the relevant systems, analyze the relationships between their internal and external features, and study the generation and transformations of various phenomena. On the basis of summarized experience, we should make new proposals and deepen our understanding by experimentation, thereby gaining new experiences to formulate rules and regulations which are suited to new conditions and which will promote the development of our business operations.

Legality, Rationality

Beijing SHANGYE KUAIJI in Chinese No 11, 10 Nov 82 p 30

[Readers' comments: "How to Approach Problems of Legality and Rationality in Finance"]

[Text] Wang Xiansheng [3769 2009 3932]—Jiangxi Province, Boyang County Sundries and Fruit Corporation

In his article "Proceeding From Reality Or From the Provisions of the System," Comrade Ye Jian used the example of oil storage tanks to raise the issue of two different guiding ideologies. He believes that "...to mechanically apply the system...thoughtlessly 'go according to the book'...", "...can even affect the development of operations..."; and that "To proceed from reality...to weigh pros and cons...this is the only way to promote the development of business operations." He also believes that in financial work "...we must observe the relevant rules and regulations, but must also proceed from reality..." "While we uphold principles, we must also be good at applying them with flexibility." This gives us financial accountants a real headache and big problems. Let me pose this question: when it is more economical to construct a new building instead of repairing an old one, but there are no capital construction funds, is it permissible to use repair funds to construct a new building if the higher level approves? Doesn't this sort of "applying principles with flexibility" run counter to the system? A couple of years ago monosodium glutamate was selling poorly, so our corporation adopted the method of giving sales-promotion bonuses to encourage primary level purchasing agents to promote sales. As a result, sales increased from a few tons to over 50 tons and profits were substantial, while the amount disbursed in bonuses was quite small: does this kind of "weighing the pros and cons" violate the provisions against giving excessive bonuses? Problems like this are numerous. If we do business according to the guiding ideology suggested by Ye--"applying principles with flexibility" and "weighing the pros and cons"--won't this lead to arbitrary tampering and non-compliance with the finance system? I believe that advocating this guiding ideology hinders the conscientious implementation of the system and could lead to unimaginable chaos. We should be the vanguard in upholding principles, rather than be slippery customers who "apply principles with flexibility"; we should be models of compliance with the system, rather than be pioneers in wrecking the system.

Shanghai Municipality, Jinshan County Supply and Marketing Cooperative, Finance Section

Comrade Ye Jian's article says that there is a contradiction within the financial system between "the rational but illegal and the legal but irrational." "Legal" means conforming to the stipulations and requirements of the general and specific policies, and the rules and regulations set down by the party and the state. "Rational" means conforming to the demands of objective reality. In general, whatever is legal should also be rational, because all rules and regulations should be formulated based on objective reality. Conversely, whatever is rational should also be legal. Of course, there are cases in which contradictions arise because of changes in objective conditions or problems in implementation. Finance workers must take legality as their primary criterion, doing that which is legal, but resolved to refrain from illegality. If objective reality changes, they should report it to the higher level and offer their views, letting the legislative units study possible revisions. The original rules should be followed until revisions are made. Otherwise, if everybody acts with "flexibility," won't the system lose its reason for being? We are not opposed to flexibility, but we can only talk about flexibility within the scope permitted by the rules of the system, and under the presupposition that principles will be upheld. In his example of the construction of the oil tanks, Ye Jian did not say which funds were used to build the large oil tank approved by the higher level; if ordinary construction funds were used, we believe that the higher level violated the rules governing the uses of special-purpose funds. In Ye's opinion, objective reality is constantly changing and business operations are constantly developing; therefore we must proceed from reality and not rigidly cling to the rules of the system. In that case, what use are financial control distinctions between the different uses of special-purpose funds? Don't they all become mere formalities? We find Ye's article quite difficult to understand. Confused thinking is very harmful to the strict implementation of the system.

Wang Xiren [3769 1119 0088] and Bao Zhicai [0545 1807 2088]--Jiangsu Province, Nantong County Supply Bureau

The state and the responsible departments formulate financial rules and regulations based on the party's general and specific policies, investigations and studies, and in the light of real conditions. They constitute a unified and rigorous system. Once they have been promulgated they should be conscientiously implemented--otherwise how could they continue to be rigorous? Ye's article proposes that in financial work "...we must observe the relevant provisions of the system, but must also proceed from reality, specific problems, and concrete analysis. While we uphold the principles, we must also be good at using them with flexibility." This kind of task can only be performed by talented persons whose grasp of ideology, policy, and business operations is on a fairly high level. However, in reality we find many people who are extremely departmentalistic and individualistic, who destroy and exploit so-called flexibility and ignore the rules and regulations. They do whatever they want, and say things like "systems are dead; people are alive." Unhealthy trends grow out of "flexibility," even leading to illegal and undisciplined acts. Were not some of the problems discovered in the general check-up on finance the result of not following rules and "applying principles with flexibility"? We must ensure that the rules and regulations are rigorously applied, and that they are followed in the conducting of affairs at all times and in all circumstances. We must not be muddled or vacillating, and certainly must not advocate "applying principles with flexibility."

Financial System, Operational Realities

Beijing SHANGYE KUAIJI in Chinese No 12, 10 Dec 82 pp 37-38

[Readers' comments: "How to Understand the Relationship Between the Financial System and Operational Realities"]

[Text] Zhao Yongnian [6392 3057 1628]--Tianjin Municipality, Supply and Marketing Cooperative, Local Products and Sundries Corporation.

After reading and deliberating on Comrade Ye's essay "Proceeding From Reality Or From the Provisions of the System," I have come to the conclusion that his arguments and proofs are not rigorous enough, and that some of his formulations are open to question. The intention of his essay is to resolve some problems in "guiding ideology," but the result is to create further confusion in our guiding ideology. In my opinion:

(1) "Proceeding from reality" should not set up in opposition to implementation of the system. The very title of the essay is unscientific. Erroneous conclusions of all sorts which undervalue or negate the system can be derived from the implications of this title: "I am proceeding from reality, so who cares about the system!" "The system means controls, obstacles, pressures: do you want to die of constipation?" This will create new problems in upholding the financial accounting system. Fundamentally there is no contradiction between "proceeding from reality" and firmly implementing the system. The more we "proceed from reality," the more we must strengthen our grasp of the system, because the formulation of the system itself proceeds from reality, and its continuous supplementation and revision proceeds from reality. The question is from what sort of "reality" should we proceed? Should we proceed from a partial, microeconomic, temporary reality, or should we proceed from an overall, macroeconomic, longterm reality? Each provision of the system prescribed by the state proceeds from an overall, macroeconomic reality, in order to protect longterm fundamental interests. As Comrade Chen Yun has pointed out, China is a large but poor socialist country: first, we must eat, second, we must build. We must proceed from this fundamental reality when we ponder problems and do our work. It is not permissible for everybody to do as he pleases, departing from this fundamental reality and proceeding from some other "reality." It is obvious that to use "proceeding from reality" to negate the rules of the system is theoretically indefensible.

Furthermore, Ye appears to distinguish between the system and the provisions of the system: he opposes sticking to every provision of the system, and seems to think that this is not the same as acting contrary to the system. Using this logic we can infer that we may ignore the "provisions of the system," and that the "system" can exist suspended in midair, apart from specific provisions. This opens up a convenient door for those who oppose the limits imposed by the system, and can only lead to losses for the state and the people.

(2) "Flexibility" must mean flexibility within the limits permitted by the system, and must not mean unlimited "flexibility." Ye suggests that "while we uphold the principles, we must also apply them with flexibility." However, he

hasn't explained clearly the scope and boundaries of flexibility. The first clause thereby becomes empty verbiage, while the second clause advocates unlimited flexibility--everybody doing as he pleases. As for the sweeping summons to "boldly take responsibility, to be decisive," who is supposed to be "bold" and "decisive"? Is it the financial personnel or the enterprise leadership? The kind of "decisiveness" which is within the province of financial management must be exercised by strictly following the specific provisions of the relevant rules and regulations, and cannot be based on the "spirit of the rules and regulations," to say nothing of "feasibility studies."

(3) Recently the State Council approved a report by the Finance Ministry on strengthening financial accounting in state-owned enterprises; it called for "thoroughly overcoming the long-standing tendency to underestimate the importance of managerial controls, and to neglect financial accounting work." The existence of these tendencies has caused some comrades, for various reasons, to constantly think about ways to escape from the limitations of the financial accounting system, and to advocate such notions as "financial accounting must serve business operations" in order to pressure financial accountants to be "flexible" in implementing the system. It is high time to correct this kind of deviation. It makes no difference whether it is "for business operations", "for the people", or "proceeding from reality": whatever conforms to the rules of the system may be done; but the financial accountants must refuse to implement anything that doesn't conform to the rules of the system unless it has been legally approved by a higher level. On this point there must be no ambiguity whatsoever. In the example of the large oil tanks mentioned by Ye, the debate was settled by requesting higher level approval: this was entirely normal and correct.

However, this does not exemplify the contrast between system and reality which Ye wishes to exemplify. There are cases in which system and reality become divorced from each other. Aside from the three reasons given above, the principal reasons for this divorce are determined by contradictions between the forces of production and the relations of production, or between the economic base and the superstructure. Under present conditions, it is still impossible to attain absolute rationality in our system.

(4) Problems with our system cannot be resolved by the method of "first smash and then build." we have already received some profound lessons about this. Recently, a Finance Ministry report repeatedly made clear: "If it is believed that certain specific provisions should be adjusted or improved, then suggestions should be made. However, it not permitted to make alterations on one's own prior to general revision by the state." I believe that these words should eliminate any confused ideas about "proceeding from reality."

Sun Yuekai [1327 6460 0418]--Shanghai Municipality, Huangpu District Finance Bureau

Comrade Ye Jian's article, 'Proceeding From Reality Or From the Provisions of the System,' advocates proceeding from reality: I agree completely. However, Ye's article does not clearly explain the relationship between system and reality. In real work we often come across situations in which contradictions

arise between the financial system and specific business operations. Everybody has his own ideas about resolving such contradictions: there is no universal understanding. I will discuss a few viewpoints:

(1) The financial system is the general model and standard for financial work from the point of view of macroeconomic control. If this model and standard is absent or not strictly observed, we inevitably proceed from departmentalism, make our own rules, and damage economic results. "Rationality" means improving macroeconomic results: if we forget this axiom then discussions about "rational by illegal; legal but irrational" lead to confusion of thought and deviations in work.

(2) In advocating proceeding from reality, we must mean proceeding from macroeconomic reality and striving for macroeconomic results. The overall relationship between macroeconomics and microeconomics is one of consistency, but divergences can appear in specific cases. What is rational from a macroeconomic viewpoint may be irrational from a microeconomic viewpoint. Under such circumstances we must foster the idea that microeconomics is subordinate to macroeconomics; questions must be considered with regard to overall interests. To proceed from reality in a one-sided way, ignoring the unitary and rigorous nature of the financial system; this is a principle which we must not only refrain from advocating, but must even oppose and curb.

(3) When a contradiction arises between the financial system and actual operations, we should notify the organs which formulate the system and make suggestions. Before revisions are made, we must not make changes nor act as we think fit. From another side, when the system is being formulated it is necessary to leave some margin so that when those who implement it encounter a divorcing of the system from reality, they will be able to adapt it to the specific conditions and concrete analysis, apply it with flexibility, and avoid unnecessary waste and losses.

To summarize: proceeding from reality and implementing the system are consistent. We must study hard, improve our theoretical and professional competence, get a correct understanding of the essential spirit of the system, consider problems from the point of view of combining macroeconomics with microeconomics, and understand that the two can be unified. In actual work we must guard against blindly implementing the system, applying it mechanically without consideration of actual conditions. We must also guard against simply proceeding from reality, for both kinds of deviations depart from the fundamental goal of improving economic results, and can have unfortunate consequences.

Gu Weiling [7357 0251 3781]--Shanghai Municipality, Putuo District Non-staple Food Corporation

After reading Comrade Ye Jian's article "Proceeding From Reality Or From the Provisions of the System," the comrades doing financial work at our primary level had different opinions: some agreed and some disagreed, leading to debate. My view is that:

(1) At the present time the principal contradiction in financial work is that there is disarray, and the implementation of the system is not rigorous; it is not the issue of a contradiction between the system and reality raised in Ye's article. Many problems have been uncovered since last winter in the general check-up on finance and the struggle to combat criminal activities in the economic sphere: they are not the results of "proceeding from the provisions of the system, mechanically applying the system," but are rather the results of loopholes exploited by lawless elements who use the label "proceeding from reality" to neglect the rules, act willfully, wantonly break open dykes, and create administrative chaos.

(2) When a contradiction arises between the realities of specific operations and the system, and when this leads to differing opinions and debate between financial workers and leaders, we cannot say that this is a reflection of two different kinds of guiding ideology. Ye points out the "The financial control system...should be implemented conscientiously and thoroughly." Of course, finance workers proceed from the provisions of the system; they must not blindly "proceed from reality" and throw away the provisions of the system. When the dispute cannot be settled and instructions are requested from a higher level to which the situation has been accurately reported, the higher level must also resolve the problem within the limits of its authority. If the higher level also cannot overstep its authority and blindly "proceed from reality." If the higher level approves, then of course we may act accordingly; but if the higher level disapproves, then we must continue to uphold the provisions of the system. This is a problem of resolving a contradiction between a system and reality: there are not two different guiding ideologies.

(3) In his discussion of "rational but illegal, and legal but irrational." Ye points out that the objective criterion for the "rational" is "...to maximize economic results while minimizing expenditures and the use of funds." This is true beyond any doubt. There is no contradiction between this and the financial system. Since the financial system is formulated for a certain period of time in accordance with the general and specific policies of the party and the state, and with our understanding of the activity patterns of enterprise operations, it conforms to the requirements of the laws of the planned proportionate development of our national economy, and the law of value. In his discussion of economic results, Ye only seems to emphasize the role of the law of value in financial work, and neglects the limits imposed on the law of value by the fundamental economic laws of socialism, and by the laws of the planned proportionate development of our national economy. Therefore, when there are changes in the conditions of business operations which render the rules and regulations no longer entirely suitable, he believes that it is inappropriate to "...neglect objective reality and thoughtlessly 'go according to the book'" However, it is clearly forbidden to make one's own alterations before revisions are made. If you don't "go according to the book," then what do you do? At present, during the overall reorganization of enterprises, the specific standard for reorganizing financial management includes the present financial rules and regulations: abide by the provisions, and get the financial management of the enterprises on the right track in order to improve economic results. To summarize: we must still conscientiously study, propagate, carry through, and implement the finance system, and strengthen control and supervision.

(4) In conclusion Ye says: "...in the course of practice we must rely on the masses, carefully investigate and study, understand the history and present state of the relevant systems, analyze the relationships between their internal and external features, and study the generation and transformations of various phenomena. On the basis of summarized experiences, we should make new proposals and deepen our understanding by experimentation, thereby gaining new experiences to formulate rules and regulations which are suited to new conditions and which will promote the development of our business operations." I agree with this completely, but he doesn't say who should do this work: I'm afraid that primary level financial workers can't do this job!

12187

CSO: 4006/177

INDUSTRY

NANJING DEFENSE INDUSTRY PRODUCES CIVILIAN GOODS

OW051357 Beijing XINHUA Domestic Service in Chinese 0305 GMT 3 Feb 83

[Excerpts] Nanjing, 3 Feb (XINHUA)--All of the 124 kinds of products for civilian use produced by the defense industrial departments in Nanjing city last year are warmly welcomed on the market. Only radios and class B uniforms are a little overstocked.

In the course of economic readjustment, the defense industrial departments in Nanjing city have implemented the policy of integrating the army with the people and actively developed the production of products for civilian use. Last year's total output value of products for civilian use reached 201.6 million yuan, an increase of 15.3 percent over 1981. Profits increased by 10.9 percent.

Nanjing's defense industrial enterprises have also organized the [word indistinct] production of new products and expanded the range of products' application. At present, the departments as a whole have 51 products for civilian use which form product seriation. A broad market has been opened.

The defense industrial departments in Nanjing city have a strong technical force. They use their technical superiority to create famous brands of products. All military industrial enterprises have designed and produced a number of products for civilian use which are competitive on the market. For instance, after continuous revolution for more than 14,000 hours, the electric motor of the Bat brand electric fan produced by the Nanjing Changjiang Machinery Plant is not hot, and its other parts are also alright. The fan is among the best products in China in terms of quality, and it sells very well. It also wins praise when it is sold on the international market on a tentative basis. Cables and letters ordering this product are pouring in.

CS0: 4013/126

INDUSTRY

BEIJING OPTICAL INSTRUMENTS PLANT REFORMS ORGANIZATION

OW100327 Beijing XINHUA Domestic Service in Chinese 1238 GMT 4 Feb 83

[Excerpts] Beijing, 4 Feb (XINHUA)--XINHUA editor's note: Since the Beijing Optical Instruments Plant completed its reform of "substituting payment of taxes for delivery of profits to the state, and assuming sole responsibility for its profits and losses," it has never stopped advancing. It has used this reform as a motive force to take a new step in reforming its distribution system and solving the problem of "everyone eating from the same big pot" within the enterprise. It has thus obtained the vigor to create a new situation and truly placed itself on a reliable foundation by bringing into fuller play the initiative and creativity of the workers and staff. Its experience is a good example to other enterprises in "substituting payment of taxes for delivery of profits to the state and assuming sole responsibility for their profits and losses." (End of editor's note)

The workers and staff will be prompted to reject "the big pot" served by the enterprise from which they share food if the enterprise no longer "eats from the same big pot" served by the state. The Beijing Optical Instruments Plant, which has "substituted payment of taxes for delivery of profits and assumed sole responsibility for its profits and losses," has reformed its wage system according to the principle of to each according to his work. The reform has greatly aroused the enthusiasm of workers and staff members.

The primary contents of the reform are:

--The plant will use its own funds to give the workers and staff a raise in wages every 2 years.

--A floating wage system is implemented.

--The workers and staff get year-end bonuses.

This preliminary reform has combined the interests of the workers and staff with the interests of the enterprise, made the workers and staff concerned about the production and economic results of the enterprise, improved management and accelerated technical progress of the enterprise.

The taxes collected by the state from this plant in 1982 were 60 percent more than the profits delivered by it to the state in 1979 before it substituted taxes for profits and assumed sole responsibility for its profits and losses.

CSO: 4013/126

LABOR AND WAGES

'JINGJI GUANLI' ON STRENGTHENING LABOR DISCIPLINE

HK101304 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12,
15 Dec 82 pp 19-21

[Article by Yue Guang Chao [1878 0342 2507]: "A Number of Relationships Should Be Handled Well in Strengthening Labor Discipline"]

[Text] The CPC Central Committee and the State Council have stipulated that in the course of reorganizing enterprises, the strengthening of labor discipline should be regarded as an important aspect. But whether this aspect can attain desirable results will depend on the handling of its relationship with enterprise management, the ideological and political work and the system of rewards and penalties. The following points are my personal views on these kinds of relationships.

1. The relationship between enterprise management and labor [words indistinct] is a prerequisite to running enterprises well. This is common sense. But during the 10 years of internal turmoil, Lin Biao and "the gang of four" disseminated numerous fallacies and confused people: It seemed that the implementation of labor discipline by the enterprise leaders amounted to the suppression of the working masses, the conscious observance of labor discipline by the working masses meant a kind of slavish mentality, and the practice of anarchism stood for "revolution." What they propagated was entirely anti-Marxist-Leninist. Marxism-Leninism holds that all kinds of organized labor of a relatively large scale requires unified leadership and discipline, and this rule holds true in any social system. Under the socialist system, the national economy is a unit, with detailed division of labor and extensive cooperation. The performance of every worker in observing labor discipline not only affects the fulfillment of his own task, but also affects the fulfillment of the task of his group, section, workshop and enterprise. And the failure to accomplish the task by one enterprise will exert a harmful influence on other enterprises' performance. Therefore, in order to run enterprises well and ensure the planned and proportionate development of the national economy, strict labor discipline must be enforced. Socialist enterprises should practice democratic management, but this in no way excludes labor discipline. Under the socialist system, the working people enjoy extensive democracy and freedom. But violation of labor discipline by certain elements should in no way be tolerated. Since the third plenary session of the 11th CPC Central Committee, after strenuous

efforts in bringing order out of chaos, there have been varying degrees of improvement in labor discipline in the enterprises, which have played an important part in the rapid recovery and development of the national economy. But up to the present time, the phenomenon of slack labor discipline in many enterprises, which was caused by internal turmoil, has not been totally overcome. This is one of the important reasons for the poor management and substandard economic results in some enterprises. In view of this situation, the CPC Central Committee has decided that in the all-round reorganization of enterprises, it is very necessary to regard strengthening labor discipline as an important aspect. However, attention should be paid to the fact that some comrades still lack the recognition of the importance of strengthening labor discipline. They think that those staff members and workers who often violate discipline are very small in number, and it is unnecessary to "make so much fuss about it." They do not fully realize that if some persons are not punished for violating discipline, it would be hard to ask other persons to observe discipline and to effectively implement strict management. Still other comrades hold that labor discipline has much to do with the general mood and trend of society, and before the latter has fundamentally improved it will be hard to effect good results for the former. Therefore, they are sceptical and adopt a wait-and-see attitude toward the strengthening of labor discipline. They do not understand that society is composed of enterprises, undertakings, organizations, schools and other social units. The fundamental improvement of the general mood and trend of society should begin with the improvement of the general mood of the basic units. Some people think that this work will encounter many difficulties; they worry that there will be much talk but little action with no definite results. This is because they do not realize that strengthening labor discipline is not only stipulated by the state authorities, but also demanded by the broad masses, and as a result problems will be solved with their support. If labor discipline is not consolidated and strengthened, more difficulties will be experienced in the management work of the enterprises. The establishment of strict labor discipline should become an important criterion in evaluating the overall reorganization work of the enterprises. An enterprise without strict labor discipline cannot, under any circumstances, become an outstanding enterprise.

2. The relationship between ideological and political work and labor discipline. Under the capitalist system, the interests of the capitalists and the employees are basically contradictory. But under the socialist system, the staff and workers are masters of the country and the enterprises. The interests of the staff and workers and those of the state and the enterprises are basically identical. Therefore, the strengthening of labor discipline not only can but also must depend on the self-consciousness of the broad masses. But self-conscious discipline cannot be spontaneously achieved; it can only be gradually established through repeated struggles against and victory over petty-bourgeois anarchism and extreme capitalist egoism. Only after the majority of the masses have enhanced their self-consciousness in maintaining labor discipline, can the labor discipline of enterprises be truly consolidated and strengthened. Therefore, in the work of strengthening labor discipline, ideological and political work must be earnestly done well and the ideology should be in the lead. First, cadres

at various levels of the enterprises must fully realize that strengthening labor discipline is the requirement in the work of clearing up the influence of anarchism disseminated by Lin Biao and the "gang of four," and is also the requirement in building socialist material and spiritual civilizations. Thus they will regard the consolidation and strengthening of labor discipline as their duty-bound obligation.

Second, ideological and political work must be done well to make the broad masses realize the necessity of maintaining labor discipline and to consider the conscious observance of discipline as the basic requirement of a member of the working class, so that they should not only strive to become a model in observing discipline but also fight against the violation of discipline by others. Third, ideological and political work should be done well toward those who have committed the act of violating disciplines, and make them realize that their mistakes will bring harmful effects to the country, the collective and themselves. In this way these persons can raise their ideological and political consciousness and learn from and even catch up with the advanced staff members and workers. The more extensive and intensive the ideological and political work, the greater and more long-lasting the results of strengthening labor discipline.

3. The relationship between the system of rewards and penalties and labor discipline. As previously stated, ideological and political work must come first in strengthening labor discipline, which is also a symbol of distinction between enterprises in the socialist society and enterprises in the capitalist society. This does not mean that in strengthening labor discipline only ideological and political work will be enough and that there is no need for the implementation of rewards and penalties. On the contrary, strict systems concerning rewards and penalties should be practiced side by side with ideological and political work. Lax discipline in enterprises has many causes, and an important cause is the lack of a strict system on rewards and penalties. How can strict labor discipline be set up in an enterprise if there is no marked distinction between right and wrong and between rewards and penalties? It certainly cannot. The "reward and penalty regulations concerning staff and workers in enterprises" issued by the State Council is a powerful weapon for the work of strengthening labor discipline and it should be seriously implemented. Only when the ideological and political work is combined with systems on rewards and penalties can the power of ideological and political work be more effectively displayed and labor discipline be consolidated and strengthened.

4. The relationship between rewards and penalties. It is necessary to give rewards to those workers who have done a good job in observing discipline and in performing tasks, and it is also necessary to impose penalties on those workers who have committed errors in violating discipline. Both rewards and penalties should be practiced based on concrete conditions, but rewards should be given the leading role. Honorary awards and material rewards should be combined in practice without any one-sided emphasis on either aspect. Under our socialist system, the broad masses of staff and workers are required to continually create new and higher labor productivity as their glorious and sacred duty and to persist in implementing the policy of economy and hard struggle. This requirement should be fulfilled once the

ideological and political work has been done well. At the same time, attention should be paid to the material benefits of the masses and material rewards should be rationally granted. Of course, for those advanced workers, honorary awards should play the main part, to be complemented by material rewards. Their advanced ideology and deeds should be publicized so as to make them models for the average workers. If excessive material rewards are given to the advanced workers, their image among the masses will be affected and they may even alienate themselves from the masses. For those persons who have violated discipline, penalties should be sparingly imposed in accordance with different degrees of offence. Discrimination should be made between those who accidentally violate discipline and those who consistently violate discipline, between ordinary offence and grave offence, between an offence committed before reorganization and after reorganization, and between those offenders who are willing to behave better and those who have committed repeated offences without repentance. Treatment in handling these cases should be appropriate. Offenders should be given the opportunity to correct their mistakes.

5. The relationship between party style and party discipline and factory style and factory discipline. Our party is a party in power. In a factory, party style and party discipline exert a decisive influence on factory style and factory discipline. Thus good party style and party discipline should first be set up before good factory style and factory discipline can be set up. The party style and party discipline of a party organization are in association with the ideology and style of its members, but they are determined mainly by the ideology and style of its leading members. With regard to observing laws and disciplines, the average worker should be preceded by party members, and the party members in turn should be preceded by the leading party members. Lax discipline and violation of laws in enterprises have much to do with the incorrect ideology and work style of certain leading party members and the weak functioning of the leading organs. Therefore, in the work of strengthening labor discipline, we must first examine and improve party style and discipline with particular emphasis on the ideology and work style of the leading party members. Thus the improvement of party style and discipline will give impetus to factory style and discipline; the improvement of the ideology and work style of leading cadres will give impetus to the improvement of the ideology and work style of the staff and workers at large. Past experience has proved that all this can often lead to good results. Actions speak louder than words. Even if individual workers are backward and slow in correcting mistakes, the leading cadres with integrity and a good work style can still educate them effectively and with good cause.

Lenin pointed out: "The establishment of new labor discipline, setting up a new form of social association among people, and creating new ways and methods of encouraging people to take part in labor--this work needs scores of years to take effect." Our practice in the past 30-odd years has also proved that the establishment and consolidation of new labor discipline are by no means quickly done or once and for all. At present, it is very necessary to devote a period of time to the strengthening of labor discipline

so that lax discipline can be quickly improved. In order to consolidate and strengthen labor discipline, enterprises should set up and perfect the necessary rules and discipline on the basis of "the reward and penalty regulations concerning staff and workers in enterprises" and strictly and persistently implement measures on rewards or punishment. These measures, together with persistent and effective ideological and political work, will enable enterprises to fulfill their production tasks in an orderly procedure, thus promoting the construction of socialist modernization.

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GENERAL

JIANGSU'S FINANCIAL, COMMERCIAL GAINS REPORTED

Nanjing XINHUA RIBAO in Chinese 19 Aug 82 pp 1, 2

[Article by Shen Caimao [3088 2088 5399]: "Financial and Commercial Operations in Jiangsu Make Dramatic Gains"]

[Text] Since the 3rd Plenary Session of the 11th Party Central Committee, the vast number of cadres and workers in the financial and trade system in Jiangsu, firmly committed to the policy of readjustment, restructuring, reorganization and upgrading and the implementation of a series of policies and decisions of the party, have contributed greatly to the balancing of revenues and expenditures and credit loans and the stabilization of commodity prices by making further efforts to put "one guiding principle, two services and three major viewpoints into action.

Efforts made to increase revenues and reduce expenditures have resulted in an increase of revenues paid annually to the central government. Although the readjustment of the ratio between accumulation and consumption by the government in the last 3 years has had an adverse effect on revenues, they have nevertheless continued to show a steady increase, thanks to the intense efforts made by the large number of cadres and workers to increase revenues, to reduce expenditures and to stop up the loopholes. To ensure the flow of revenues to the central government, effort was made on an overall basis to reduce capital construction investment and other expenditures whenever possible. Compared to 1978, the expenditures of the province were reduced by 16.2 percent in 1981, while revenues paid to the central government (including loans made by the central government and the purchase of treasury bonds) increased by 17.94 percent.

Adjustment was made in the structure of expenditures to meet the vital needs of cultural, educational, scientific and public health projects and of city maintenance. Whereas expenditures on cultural, educational, scientific and public health projects accounted for 17.54 percent of the total expenditures in 1978, they were increased to 31.66 percent in 1981, that is, an increase of 255 million yuan, or 51.2 percent. Expenditures increased by 55.31 percent for education, 44.29 percent for public health, 25.11 percent for physical culture, 57.7 percent for science, 46.52 percent for communications and broadcasting and 72 percent for family planning, while expenditures on cultural activities and publications were also increased to various degrees. Effort was made to

promote the development of cultural, educational, scientific and public health projects. For instance, 16 additional institutions of higher learning and 25 additional vocational middle schools of various kinds were established. In the last 3 years, close to 200 million yuan was spent for the maintenance and repair of 2.62 million square meters of middle and elementary school premises and for the purchase of 400,000 sets of desks and chairs. The number of hospital beds was increased by 120,000. Fourteen television transmission stations and eight microwave television stations were built to increase the coverage rate of television in the province from 25 percent in 1978 to 70 percent in 1981.

Funds allocated for the maintenance of cities came to 457 million yuan in 1981, or an increase of 1.35 times over the figure for 1978. Expenditures for such urban public services as roads, bridges and culverts, flood control, drainage, water treatment, environmental protection and parks increased by 27.2 times. Expenditures on water supply, public roads and gas increased by 1.9 times, while expenditures on the construction and maintenance of housing in the cities increased by 1.1 times.

Great effort was made to promote agriculture. During the last 3 years, the state, by increasing the procurement price of subsidiary agricultural products, by making purchases above the quota and at higher prices, by adopting the practice of negotiating prices, by reducing taxes or exempting the commune and brigade enterprises in the rural areas from the payment of taxes, by reducing agricultural taxes or exempting peasants from the payment of taxes and by subsidizing the cost of diesel oil, electricity and coal used for agricultural purposes, has increased the income of the peasants by 6,598 million yuan, or the additional per capita income of 43 yuan per year. In the last 3 years, 301.43 million yuan was allocated for the assistance of impoverished brigades, 143.59 million yuan for natural disasters in the rural areas and social relief and 135.5 million yuan for flood prevention and anti-drought measures. Furthermore, 100 million yuan of the province's liquid funds was allocated as revolving funds to assist the development of commune and brigade enterprises in the rural areas. By the end of 1981, the loans extended by the provincial Bank of Agriculture to the production brigades in the rural areas, to the commune and brigade enterprises for the purchase of equipment and to the diversified operations were 3.3 times that of 1978.

The thriving state of procurement and marketing operations and the prosperity in the marketplace have resulted in a favorable situation seldom seen in the last 30-odd years. With the readjustment of the national economy, the rapid development of the light and textile industries has ensured a plentiful supply of goods in the market. The amount of industrial and agricultural products purchased in 1981 throughout the province showed an increase of 50.7 percent over that of 1978, of which 45.8 percent was accounted for by industrial products and 63 percent by subsidiary agricultural products. The total amount of retail trade in commercial commodities in 1981 showed an increase of 61.7 percent over the figure for 1978. In 1978, the average per capita amount of retail sales came to 171.68 yuan, whereas it reached 269.5 yuan in 1981, or an average per capita increase of 97.8 yuan. The long standing shortage of certain commodities has been eased. Subsidiary foodstuffs in any amount may now be

purchased without coupons. Cigarettes and daqu wine, long in short supply, can now meet the demand. The supply of vegetables, too, has been greatly improved. The longing for a more plentiful supply of subsidiary foodstuffs by the masses has been basically met. Compared to 1978, the sale of bicycles, wrist watches and sewing machines in 1981 increased by 68.1, 84.3 and 96.8 percent respectively. In the past, only a small number of people could afford such electrical home appliances as televisions, tape recorders, electric fans and washing machines. As a result of increased production and of the increased income of the masses, more and more ordinary families can now afford such appliances. The shortage of industrial products for daily use has been greatly eased. The main problem now is not one of quantity, but rather that of style, variety and quality. The masses, instead of using their money to buy up everything in sight, are now saving their money and making purchases selectively. The people, bolstered by a sense of security, are putting their money in savings.

The market has been further enlivened by the opening up of channels, the reduction of the number of linking parts and the stepping up of the flow of merchandise. In the past 2 years, the circulation of goods has been speeded up by the adoption of various economic measures, procurement and marketing procedures and operational methods, the reduction of the "three plenties and one shortage" links which characterized the commodities circulation system, the relaxation of rules governing the selling of wholesale products to the basic units and limitations set for the replenishment of merchandise by the retail enterprises and the assistance given to and the increase in the number of collective and individual commercial enterprises and service operations. By the end of 1981, there were 90,700 individual industrial and commercial enterprises registered with and licensed by the industrial and commercial administrative departments, or 2.8 times over the number for 1978, and 77,300 network outlets for the collective retail, food and service businesses, or 65 percent over the number for 1978. Numerous commercial, food and service businesses have been set up by the neighborhoods, the communes and brigades and the factories. Jointly operated businesses have also been established by the industrial and commercial enterprises, the agricultural and commercial enterprises and among the commercial enterprises themselves.

Village fair trade has been stepped up in the urban and rural areas. There were in 1981 2,917 markets in the cities and villages throughout the province, or 30 percent more than the number in 1978. Village fair trade transactions amounted to 1,911 million yuan, or 1.35 times more than the 1978 figure. The amount of market transactions is assuming an increasingly larger share of the total amount of the commodities retail trade, rising from 8.1 percent in 1978 to 12.1 percent in 1981. Warehouses belonging to the trading companies and trust companies, which are springing up like bamboo shoots after a spring rain, are playing an increasingly active role in promoting production, in enlivening the market, in offering benefits to the masses and in ensuring the sources of supply.

The increase in the number of commercial outlets has made it easier to buy and sell and the difficulty experienced by the masses of finding a place to eat, a place to spend the night, a place to have a haircut and a place to buy grains

and oil has been basically eased. By the end of 1981, there were throughout the province 193,000 commercial, food and service businesses, or twice as many as in 1978. Those employed in these businesses numbered 997,000, or 55 percent over the figure for 1978. The number of retail commercial outlets in 1981 was 75 percent higher than that in 1978, while the number of food and service businesses was twice that of 1978. Thanks to the large increase in the number of outlets and the number of people employed, the volume of work undertaken by each outlet has been greatly reduced. In 1981, each retail trade outlet served an average of 522 people, or 41 percent fewer than the 1978 figure of 887. In 1981, each outlet in the food business served an average of 2,663 people, or 66 percent fewer than the 1978 figure of 7,937. In 1981, each outlet in the service trade served an average of 1,578 people, or 66 percent fewer than the 1978 figure of 4,649. Although the workload is still too heavy compared to other periods in history and further adjustments need to be made, the problem of finding a place to eat, finding lodgings for the night and having a haircut has been basically solved. The difficulty of having dresses made and getting a haircut has been greatly eased in most areas. The food departments have increased the number of purchasing and marketing network outlets and have taken on more temporary workers during the busy season so that it has become much easier for the peasants to sell their grains and oil.

Prices for daily necessities have remained basically stable. To ensure the stability of commodity prices, the government has increased subsidy payments year after year. In 1981, the state and the province paid subsidies amounting to 1,334 million yuan for grains, oil, cotton, vegetables and coal for household use, of which 718 million yuan was paid out of the provincial treasury. Between 1978 and 1981, the state paid subsidies totaling 37.4 million yuan for vegetable supplies in 11 provinces, municipalities under the jurisdiction of the prefectures and Yancheng County, or the average of 7.3 yuan for each vegetable consumer.

All the workers in the financial and commercial fields in the province have renewed their spirit in dedicating themselves to the performance of their duties in a creditable manner so as to make further gains in advance of the 12th CCP National Congress.

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GUANGXI LEADER ON REGION'S ECONOMIC DEVELOPMENT

HK051003 Hong Kong TA KUNG PAO in Chinese 24 Dec 82 p 1

[Special feature: Article by Guangxi Regional Government Vice Chairman Zhou Guangchun: "Guangxi Economic Planning for the Next 20 Years"]

[Text] There Are Eight Superior Aspects Which Have Potential

The Guangxi Zhuangzu Autonomous Region is situated in the sub-tropical region. It is rich in natural resources. The region has superiority in sugar, hydro-electric power, nonferrous metals, building materials, forestry, native products, foreign trade and tourism. It is a region with great economic potential and the conditions to quicken pace in development.

Before the PRC was founded, Guangxi was economically rather backward. There was not much industry. Basically, the economy was agricultural natural economy. After 30 years of construction, there have been great changes in Guangxi's economic make up. In 1980, the gross annual value of agricultural and industrial production was 14.68 billion yuan, which was 950 percent of that of 1950. Of the 950 percent, agriculture accounted for 370 percent and industry accounted for 3,998 percent, nearly 4,000 percent. The relative proportion of the value of industrial production to the value of agricultural and industrial production increased to 52.8 percent in 1980 from 10.5 percent in 1950. The result was great. However, compared with the whole country, Guangxi's economy was still backward. In 1980, the per capita figure in agriculture was equivalent to 88 [words indistinct] average level of the whole [word indistinct] capita figure in industry was equivalent to 43 percent of the average level of the whole country. The difference was not great. Thus, Guangxi is a region with the conditions to quicken pace in economic development. In addition, it is necessary for the region to quicken pace in economic development. In this way, it can catch up with and approach the national average economic level.

The Quadrupling of Industrial and Agricultural Production Can Be Achieved.

The 12th CPC National Congress has proposed the magnificent task of quadrupling the gross annual value of industrial and agricultural production in 2000. In

the light of the conditions in Guangxi, it is necessary and possible to have a slightly greater rate of economic development than the whole country. We are striving to increase the annual value of agricultural production by approximately 300 percent and increase the annual value of industrial production by 400 percent by the end of this century. In 2000, Guangxi's gross annual value of industrial and agricultural production will increase by a little more than 300 percent. This goal can be attained.

Historically, in the 30 years from 1951 to 1980, there was an average annual increase of 7.8 percent in Guangxi's industry and agriculture. That means, the average rate of increase was greater than 7.2 percent, the rate necessary for doubling the figure in 10 years. We should see that Guangxi's rate of economic basis, without experience in economic construction and with setbacks such as the "great leap forward movement" and the "great cultural revolution." In December 1978, the 3d plenary session of the 11th CPC Central Committee was held, thereafter, a great historic change was realized, the protracted erroneous leftist ideology cleared in an overall manner, historical experience summarized, correct policies restored and new policies formulated in the light of new conditions. These policies are playing an important role. In future, it is possible that there will be minor mistakes and setbacks, however, setbacks similar to the "great leap forward movement" and the "great cultural revolution" can be avoided. In future, in Guangxi's economic construction, on the condition that we strive to increase the economic results, and, as long as we maintain the rate of development which was achieved 30 years ago, before the end of this century, Guangxi's gross annual value of industrial and agricultural production will have increased by a little bit more than 300 percent.

There Are 3,000 Enterprises in the Entire Region

After 30 years of construction, a certain foundation in Guangxi's industry has been laid. One third of the 3,000 enterprises in the entire region are of a considerable size. A considerable production force has been formed in hydroelectric power, sugar, nonferrous metals, building materials, engineering industry, chemical industry, iron and steel, light industry and textile industry. In the next 20 years, Guangxi will mainly rely on these existing enterprises to increase the value of industrial production by more than 300 percent. Now, we are consolidating these enterprises in an overall manner, promoting the level of scientific management, tapping potential, carrying out technical transformation and renewal of equipment, saving energy, increasing the variety of designs and colors of products, improving the quality and quantity of products and increasing the quantity of production. After 2 years of hard work, we are striving to increase the value of industrial production of the existing enterprises by more than 150 percent.

Abundance of Hydroelectric Resources and Mineral Deposits

With the support and under the planned guidance of the state, the sizes of the key projects in Guangxi in the next 20 years will be much greater than those in the past 30 years. Guangxi is situated along the Tropic of Cancer

in the sub-tropical monsoon region. It is suitable for the growth of sugarcane. In 1981, 500,000 tons of sugar were produced, which occupied the second place in the whole country. This is the rising industry with the brightest prospects. It is planned that at the end of this century, 2 million tons of sugar will be produced every year. Orange juice and bagasse, the by-products of cane sugar, can be used in the production of paper, fibreboard, alcohol and citric acid. If sugar is further processed, various kinds of food processing industries such as the manufacture of candies and canned food can be developed.

Guangxi is rich in hydroelectric resources and mineral deposits. As for non-ferrous metals, the assortment is good, reserves great and grade high. Everywhere there is limestone, the principal raw material for producing cement. In addition, there are rich reserves of talc, barite, quartz, manganese and ilmenite. The region is rich in hydroelectric resources. The Hongshuihe River which runs across the central part of Guangxi is a "rich ore" of China's hydroelectric resources. Ten step power stations can be built. Of these, six principal step power stations with a total installed capacity of more than 9.6 million kilowatts and a total annual electric energy production of more than 50 billion kwh are planned to be built at the end of this century. In addition to the construction of the step power station along the Hongshuihe River, Guangxi's rich reserves of nonferrous metals and building materials will be exploited at the same time. These are conditions which are hard to find. At the end of this century, when the key projects finish construction, Guangxi's industrial productive force will have increased several fold in addition to the role played by the existing enterprises being promoted. In this way, it is possible to quadruple the gross annual value of industrial production of Guangxi by the year 2000.

To strive to increase the economic results is a prerequisite for making a success of Guangxi's production and construction. We should ask for energy resources, capital and the rate of development from the increasing of economic results. Being rich in hydroelectric resources is Guangxi's superiority. However, at present, there is a high rate of energy consumption and a shortage of energy supply, thus, in addition to actively exploiting the energy resources, we should strive to lower the rate of consumption and save energy in production and construction, increase the rate of value of production and the profit rate created by the fixed assets of the existing enterprises, accelerate the turn over of the circulating capital, make full use of the investments in the capital constructions, increase the rate of fixed assets formed by the investments in the capital constructions and make the increasing of economic results the prerequisite and foundation for quickening pace in Guangxi's economic construction.

Development of Agriculture Is Still the Focus

In the next 20 years, agriculture will be the focus of Guangxi's economic development. Since 1979, all forms of agricultural production responsibility systems have been practiced. Remuneration is linked to output and the system of contracting specialized jobs is practiced. Like the whole country, Guangxi's speed in agricultural development is quite great.

In 1981, Guangxi met with natural calamities which had been quite rare in the past 30 years. However, there was still an increase of 5 percent in its gross annual value of agricultural production; in 1982, there have been bumper harvests in Guangxi. It is estimated that there was an increase of about 10 percent in its grain production. At present, there is a picture of prosperity in the rural areas in Guangxi. The peasants' enthusiasm in production has never run so high. They strive to increase grain production. In addition, there are considerable developments in household sideline production, household handicraft production, processing of agricultural and sideline products, forestry, fishery, animal husbandry and diversification. In Guangxi, there are many mountain areas. At present, the amount of land used up by agriculture is less than half the total area of the mountain areas; while most of the mountain areas and the hillside fields are waiting to be utilized and exploited. There are 115 million mu of wasteland and barren hills which are suitable for agriculture, forestry and animal husbandry. In addition, there is a considerable number of lakes, ponds, rivers, reservoirs and beaches which are suitable for the development of the cultivation of aquatic products. Thus, Guangxi has great potential for developing agriculture. When the enthusiasm of the masses of peasants has been aroused, it will be quite possible to increase Guangxi's value of agricultural production by approximately 300 percent. Agriculture is the foundation of the national economy. Industrial development and agricultural development should suit each other.

The Rate of Industrial and Agricultural Development Should Be Readjusted

On the whole, in the past 30 years, the rate of agricultural development to the rate of industrial development was 1 to 3. There was an average annual increase of 4.5 percent in agriculture and an average annual increase of 13.1 in industry. In future, it will be necessary to carry out needed readjustments. However, it seems that the ratio between the rate of agricultural development and the rate of industrial development should not be lower than 1 to 2. If we are to increase the value of agricultural development by approximately 300 percent in the next 20 years, the average annual rate of development should be 5.6 percent. In this way, the average annual rate of industrial development can and should be 11 percent. If we consider industry and agriculture together, we can do better than quadrupling.

After 30 years of construction, we have drawn experience from our success and setbacks; under the guidance of the series of correct policies proposed at the 12th CPC National Congress, a new situation will certainly emerge in Guangxi's socialist modernization.

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PRC ECONOMIC REFORM SCHEME READY THIS YEAR

HK030717 Hong Kong HSIN WAN PAO in Chinese 3 Feb 83 p 4

[Special dispatch: "Responsible Official Says General Scheme for Reforming Economic Setup Will be Completed This Year"]

[Text] Beijing, 3 Feb--China is vigorously carrying out reforms of its economic setup. According to a responsible person in charge of this work, the formulation of a general scheme for nationwide reforms in the economic setup is expected to be completed this year.

China has already organized pilot projects in Jiangsu Province and Hangzhou and Shashi, Hubei, cities for the reform of the economic setup. Hangzhou and Shashi are both medium-sized cities. In order to gain further experience, it has been decided to organize a comprehensive pilot project this year for economic reforms in a large city, Chongqing.

The responsible person said that China is focusing on 3 points in economic reforms this year: 1) Gradually substitute taxes for delivery of profits in all enterprises in the country; pilot projects for this work have already been organized at over 400 industrial enterprises; 2) Bring into play the role of the key cities and solve problems in the relationship between ministry and local administration; 3) Reform the commercial circulation system and achieve three mores and one less (more economic forms, more purchase and sale forms, more circulation channels, and less links in the circulation chain), to promote the development of commodity production and the specialized households and households doing specialized jobs in the rural areas, and stimulate the inter-flow of goods between urban and rural areas.

According to our information, in order to reform its economic setup, China has studied the experiences of the Soviet Union and of six eastern European and four Western countries. Despite this, the reform of China's economic setup will have special Chinese features and suit the national condition. The system of contracted responsibilities with payment linked to output in agriculture is a native Chinese invention, and the system of contracted responsibilities in state-owned commerce is also a Chinese creation.

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HONG KONG MEDIA ON CHINA

SHENZHEN BOUNDARY LINE CONSTRUCTION

HK290444 Hong Kong TA KUNG PAO in Chinese 28 Jan 83 p 4

[Report: "Boundary Line of Shenzhen Special Economic Zone is Expected to be Put into Use in July, Which Will Facilitate Entry and Departure of People from Hong Kong"]

[Text] The basic construction of the boundary line of the Shenzhen special economic zone (also called 'the second line'), which began in April last year, is nearly finished. According to relevant sources, the boundary line of the special zone is expected to be put into use on 1 July. This will separate the Shenzhen special zone from the non-special zone.

The total length of the boundary line of the Shenzhen special economic zone is 84 kilometers. After the completion of the boundary line, formalities for people from Hong Kong to enter or depart from the Shenzhen special zone will be more simple. Customs duties and the management of the special zone will also be different from the present situation today. This will step up the development of the construction of the Shenzhen special zone.

According to a disclosure by a responsible member of Shenzhen City, the total construction area of the boundary line is 199,000 square meters and the line includes 74 big and small projects. Along the line from Beizaijue in the east to Nantou in the West, six combined inspection stations will be set up at Beizaijue, Shawan, Yantianao, Buji, Baimang and Nantou. The construction project of the boundary line also includes the construction of 29 public security inspection points for the passage of farm machines, two wharves, barbed wire, high and low-tension power transmission lines for illumination and patrol roads.

This responsible person said: to date, the main construction of the five combined inspection stations at Nantou, Shawan, Buji, Baimang and Beizaijue have been completed. On the 5th of next month, the construction units will submit for acceptance the main construction projects of the combined inspection stations to the command office of the second line. Auxiliary projects and fitting work of these combined inspection stations will also be completed by the end of March as planned.

He also said: A highway for patrolling will be built along the 84-kilometer boundary line. Some 20 kilometers of this patrol highway are already existing highway. The construction of the roadbeds of the remaining new 56.5-kilometer section will also be completed on the 5th of next month.

The two new sea wharves, which are included in the construction project of the boundary line, are located at Beizaijue of the Daxiaomeisha and the Guojue of Nantou. The work for inviting tenders will be completed this month and the construction units for the work. It is estimated that the construction of the wharves will commence by the end of February.

He said: The construction command office of the second line was set up on 4 February last year. After more than 2 months of planning and design, the construction of the first project--the patrol road--began on 25 April last year.

He said: The total investment in the boundary line amounts to 90 million yuan. At present, 6,000 workers are working at the construction of various projects.

He also said: The main difficulty of the construction of the boundary line is that civil engineering work must be carried out on barren hills and under very bad conditions. The construction is about to be finished. According to relevant sources, it is believed that other preparatory work will be completed within 4-5 months and the boundary line of the special zone will be put in use on 1 July this year.

The boundary line of the Shenzhen special zone promulgated by relevant authorities goes from Dapengwan Bay in the east to the mouth of the Zhujiang River in the West--49 kilometers--and from the Shenzhen River in the south to the Wutongshan and Yangtaishan mountain ranges in the north--7 kilometers. The special zone is a total area of some 320 square kilometers.

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BRIEFS

'SECOND LINE' OF SHENZHEN ZONE--While meeting with David Newbigging [Hong Kong entrepreneur] yesterday, Liang Xiang disclosed: The boundary line between the special zone and construction work of the non-special zone in Shenzhen will be completed after the Spring Festival. After this boundary line is put into use, customs formalities for Hong Kong residents and people from abroad to enter and leave the special zone will be simplified. With the exception of cigarettes, wines and cosmetics, import and export commodities will be duty free. During the talks, Liang Xiang first gave a brief account of four aspects of the work of the Shenzhen special zone: three years' preparations for overall planning, legislation, basic construction and administrative reforms. He said: at present, the water and power supply problem for the zone has been solved. Ten thousand kwh of electricity is transmitted from Hong Kong each day [Yi Bai Bai Du 0001 4102 4102 1653]. The civil engineering work of the telecommunications building will be completed in March and 10,000 digital-controlled telephones will be installed. Twenty-nine highways will be completed before the Spring Festival. Liang Xiang said in conclusion: the central authorities have already approved the construction of a nuclear power station in Guangdong. This, together with the exploration of the Nanhai oil field, will exert a tremendous influence on the special zone and Hong Kong. He also expressed his welcome for the cooperation and investment of foreign businessmen in projects along the coast. [Dispatch from Shenzhen by staff reporter: "With the Second Line of Shenzhen in Use, Commodities Will Be Imported Duty Free"] [Text] [HK290258 Hong Kong WEN WEI PO in Chinese 27 Jan 83 p 1]

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